

Delta Drone South Africa (Pty) Ltd and its subsidiaries
Special purpose condensed consolidated financial statements
for the 6 months ended 30 June 2020

Delta Drone South Africa (Pty) Ltd and its subsidiaries

Registration number: 2016/349398/07)

Special purpose condensed consolidated financial statements for the 6 months ended 30 June 2020

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Directors' Responsibilities and Approval

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the special purpose condensed consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the special purpose condensed consolidated financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the special purpose condensed consolidated financial statements.

The special purpose condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurements and recognition requirements of the International Financial Reporting Standards (IFRS) including limited notes applicable to possible fair value measurements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the special purpose condensed consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

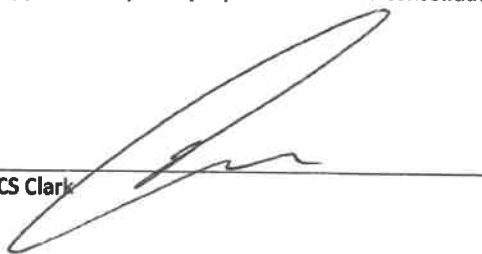
The directors have reviewed the group's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, They are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the special purpose condensed consolidated financial statements. The special purpose condensed consolidated financial statements have been examined by the group's external auditors and their report is presented on page 6.

The special purpose condensed consolidated financial statements set out on pages 7-10, which have been prepared on the going concern basis, were approved by the board of directors on 05 October 2020 and were signed on its behalf by:

Approval of special purpose condensed consolidated financial statements

CS Clark



RL Sanz



Delta Drone South Africa (Pty) Ltd and its subsidiaries

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Special purpose condensed consolidated financial statements for the 6 months ended 30 June 2020

Directors' Report

The directors have pleasure in submitting their report on the special purpose condensed consolidated financial statements of Delta Drone South Africa (Pty) Ltd and its subsidiaries and its associate for the 6 months ended 30 June 2020.

1. Nature of business

Delta Drone South Africa (Pty) Ltd and its subsidiaries was incorporated in South Africa with interests in the aerial surveying and mapping industry. The group operates in South Africa, and Ghana.

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The special purpose condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurements and recognition requirements of International Financial Reporting Standards (IFRS) including limited notes applicable to possible fair value measurements.

The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the group are set out in these special purpose condensed consolidated financial statements.

3. Dividends

No dividends were declared or paid to shareholders during the year.

4. Directors

The directors in office at the date of this report are as follows:

Directors

RL Sanz

CS Clark

There have been no changes to the directorate for the period under review.

5. Directors' interests in contracts

During the financial year, the group entered into sales contracts with Public Display Technology (Pty) Ltd where Mr CS Clark is also a director.

6. Interests in subsidiaries and associate

Details of material interests in subsidiary companies and associates are presented in the group financial statements.

The interest of the company in the profits and losses of its subsidiaries and associates for the year ended 31 December 2019 are as follows:

	30 June 2020	30 June 2019
Subsidiaries	R	R
Total profits before income tax	2 695 779	2 242 211
Total profits after income tax	1 925 561	1 572 397

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Directors' Report

7. Holding company

The group's holding company is Delta Drone SA (French Joint Stock Company) which holds 100% (2019: 100%) of the group's equity. Delta Drone SA (French Joint Stock Company) is incorporated in France.

8. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

9. Going concern

The directors believe that the group has adequate financial resources to continue in operation for the foreseeable future and accordingly the special purpose condensed consolidated financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the group.

10. Auditors

BDO South Africa Incorporated continued in office as auditors for the group for the 6 months ended June 2020.

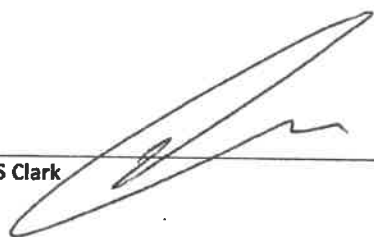
11. Secretary

The group secretary is Rödl & Partner.

The special purpose condensed consolidated financial statements set out on page 6 to 8, which have been prepared on the going concern basis, were approved by the board of directors on 05 October 2020, and were signed on its behalf by:

Approval of special purpose condensed consolidated financial statements

CS Clark



RL Sanz





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South Africa

Independent Reviewer's Report

To the shareholders of

Delta Drone South Africa Proprietary Limited and its subsidiaries

We have reviewed the special purpose condensed consolidated financial statements of Delta Drone South Africa Proprietary Limited and its subsidiaries set out on pages 7 to 9, which comprise the consolidated statement of financial position as at 30 June 2020 and the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows for the period ended.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with the basis of accounting described in note 1 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements (ISRE 2400 (Revised))*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Special Purpose financial statements, taken as a whole, are not prepared in all material respects in accordance with the basis of preparation as described in note 1. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The independent reviewer performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these special purpose condensed financial statements of Delta Drone South Africa Proprietary limited and its subsidiaries are not prepared, in all material respects, in accordance with the basis of accounting policies described in Note 2 to the financial statements.

Basis of Accounting

Without modifying our conclusion, we draw attention to note 1 to the financial statements, which describes the basis of accounting. As disclosed in note 1 to the financial statements, the consolidated financial statements are prepared to assist the Group and Parazero Ltd an Australian registered company the potential acquirer of Delta Drone South Africa (Pty) Ltd Group with their ASX prospectus purpose. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors

S Kranhold
Director
Registered Auditor

07 October 2020

BDO South Africa Incorporated
Registration number: 1995/002310/21
Practice number: 905526
VAT number: 4910148685

Chief Executive Officer: ME Stewart

A full list of all company directors is available on www.bdo.co.za

The company's principal place of business is at The Wanderers Office Park, 52 Corlett Drive, Illovo, Johannesburg where a list of directors' names is available for inspection. BDO South Africa Incorporated, a South African personal liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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Statement of Financial Position as at 30 June 2020

Figures in Rand	30 June 2020	30 June 2019
Assets		
Non-Current Assets		
Property, plant and equipment	4 425 711	6 117 917
Goodwill	6 559 783	6 559 783
Intangible assets	614 999	1 206 223
Right-of-use assets	1 591 543	1 851 229
Deferred tax	635 558	672 416
	13 827 594	16 407 568
Current Assets		
Inventories	475 320	0
Trade and other receivables	5 005 454	7 795 358
Current tax receivable	449 896	754 799
Cash and cash equivalents	9 808 924	8 444 067
	15 739 594	16 994 224
Total Assets	29 567 188	33 401 792
Equity and Liabilities		
Equity		
Equity Attributable to Equity Holders of Parent		
Share capital	11 642 738	11 642 738
Reserves	-9 635 313	-9 969 863
Accumulated loss	-6 792 203	-8 386 727
	-4 784 778	-6 713 852
Non-controlling interest	752 733	251 846
	-4 032 045	-6 462 006
Liabilities		
Non-Current Liabilities		
Deferred tax	172 200	343 448
Lease liabilities	1 162 371	1 495 577
	1 334 571	1 839 025
Current Liabilities		
Trade and other payables	361 451	2 083 065
Loans from group companies	31 211 411	35 369 268
Current tax payable	19 498	3 558
Lease liabilities	672 302	568 882
	32 264 662	38 024 773
Total Liabilities	33 599 233	39 863 798
Total Equity and Liabilities	29 567 188	33 401 792

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Statement of Comprehensive Income

Figures in Rand	6 months ended 30 June 2020	6 months ended 30 June 2019
Revenue	17 659 409	18 336 552
Cost of sales	-7 539 856	-7 862 622
Gross profit	10 119 553	10 473 930
Other income	768 976	251 189
Operating expenses	-8 489 373	-8 959 207
Operating profit (loss)	2 399 156	1 765 912
Investment revenue	180 205	123 002
Finance costs	-73 851	-83 177
Profit (loss) before taxation	2 505 510	1 805 737
Taxation	-703 001	-518 351
Profit (loss) for the 6 months	1 802 509	1 287 386
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Exchange gains (losses) on translating foreign operations	220 363	-246 193
Other comprehensive income (loss) for the 6 months net of taxation	220 363	-246 193
Total comprehensive income for the 6 months	2 022 872	1 041 193
Total comprehensive loss attributable to:		
Owners of Delta Drone South Africa (Pty) Ltd and its subsidiaries	1 343 102	569 798
Non-controlling interest	679 770	471 395
	2 022 872	1 041 193

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Statement of Cash Flows

Figures in Rand	6 months ended 30 June 2020	6 months ended 30 June 2019
Cash flows from operating activities		
Cash generated from (used in) operations	4 718 319	7 125 009
Interest income	180 205	123 002
Finance costs	-73 851	-83 177
Tax paid	-418 731	-728 764
Net cash from operating activities	4 405 942	6 436 070
Cash flows from investing activities		
Purchase of property, plant and equipment	-880 550	-1 353 525
Sale of property, plant and equipment	106 108	59 425
Acquisition of businesses		20 419
Net cash from investing activities	-774 442	-1 273 681
Cash flows from financing activities		
Loans repaid to group companies	-1 752 508	-58 180
Net cash from financing activities	-1 752 508	-58 180
Total cash movement for the 6 months	1 878 992	5 104 209
Cash at the beginning of the 6 months	7 709 569	3 586 051
Effect of exchange rate movement on cash balances	220 363	-246 193
Total cash at end of the 6 months	9 808 924	8 444 067

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Notes to the Special Purpose Condensed Consolidated Financial Statements

1. Statement of compliance

The special purpose consolidated financial statements have been prepared in accordance with the framework concepts and the measurements and recognition requirements of International Financial Reporting Standards (IFRS).

The special purpose consolidated financial statements are prepared to assist the group with their ASX prospectus purposes. As a result, the special purpose consolidated financial statements may not be suitable for another purpose.

The accounting policies have been applied consistently compared to the prior year.