

Delta Drone South Africa (Pty) Ltd and its subsidiaries
Special purpose consolidated financial statements
for the year ended 31 December 2018

Delta Drone South Africa (Pty) Ltd and its subsidiaries

(Registration number: 2016/349398/07)

Special Purpose Consolidated Financial Statements for the year ended 31 December 2018

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Delta Drone South Africa (Pty) Ltd and its subsidiaries

(Registration number: 2016/349398/07)

Special Purpose Consolidated Financial Statements for the year ended 31 December 2018

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 consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the special purpose 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 consolidated financial statements.

The special purpose 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 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 31 December 2019 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 auditing and reporting on the special purpose consolidated financial statements. The special purpose consolidated financial statements have been examined by the group's external auditors and their report is presented on page 5.

The special purpose consolidated financial statements set out on page 7, 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 consolidated financial statements

CS Clark

RL Sanz



Delta Drone South Africa (Pty) Ltd and its subsidiaries

(Registration number: 2016/349398/07)

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Directors' Report

The directors have pleasure in submitting their report on the special purpose consolidated financial statements of Delta Drone South Africa (Pty) Ltd and its subsidiaries and its associate for the year ended 31 December 2018.

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 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 company are set out in these special purpose 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 special purpose consolidated financial statements in note 10.

The interest of the group in the profits and losses of its subsidiaries and associates for the year ended 31 December 2018 are as follows:

	2018 R	2017 R
Subsidiaries		
Total profits / (losses) before income tax	(6 187 880)	(3 716 806)
Total profits / (losses) after income tax	(6 315 615)	(3 806 441)

On 30 October 2018 the group disposed of 26% of its shareholding in Rocketmine South Africa (Pty) Ltd to Delta Drone Empowerment (Pty) Ltd, in order to raise the BBBEE rating of the group and empower BEE stakeholders.

As part of this transaction Rocketmine South Africa (Pty) Ltd declared a dividend of R10 800 000 and also issued 10 800 preference shares of the same value to Delta Drone South Africa (Pty) Ltd.

There were no other significant group structure changes during the current year.

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Directors' Report

7. Holding company

The company's holding company is Delta Drone SA (French Joint Stock Company) which holds 100% (2017 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 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 company. 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 2018.

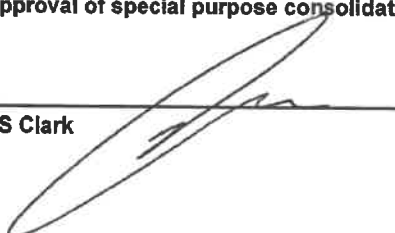
11. Secretary

The group secretary is Rödl & Partner.

The special purpose consolidated financial statements set out on page 7, 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 consolidated financial statements

CS Clark



RL Sanz





Independent Auditor's Report

To the shareholders of

Delta Drone South Africa Proprietary Limited and subsidiaries

Opinion

We have audited the special purpose consolidated financial statements of Delta Drone South Africa Proprietary Limited and subsidiaries set out on pages 7 to 45, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and limited explanatory notes.

In our opinion, the special purpose consolidated financial statements present fairly, in all material respects, the financial position of Delta Drone South Africa Proprietary Limited and subsidiaries as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting policies described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of accounting and restriction of use and distribution

We draw attention to note 2 to the financial statements which describes the basis of accounting.

As disclosed in note 2 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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Delta Drone South Africa Proprietary Limited and subsidiaries special purpose consolidated financial statements for the year ended 31 December 2018", which includes the Director's Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.



Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors are either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

Servaas Kranhold
Director
Registered Auditor

07 October 2020

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

Delta Drone South Africa (Pty) Ltd and its subsidiaries

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Special Purpose Consolidated Financial Statements for the year ended 31 December 2018

Statement of Financial Position as at 31 December 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	5	6 691 833	3 026 365
Goodwill	6	6 559 783	6 559 783
Intangible assets	7	1 745 339	3 575 373
Right-of-use assets	8	2 147 953	2 185 723
Deferred tax	11	1 067 912	770 870
		18 212 820	16 118 114
Current Assets			
Inventories	13	21 333	21 333
Loans to group companies	9	742 151	-
Trade and other receivables	12	11 174 585	5 261 594
Current tax receivable	14	285 914	9 206
Cash and cash equivalents	15	3 586 051	1 480 899
		15 810 034	6 773 032
Total Assets		34 022 854	22 891 146
Equity and Liabilities			
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital	16	1 000	1 000
Reserves	17	(1 073)	91 356
Accumulated loss		(9 202 718)	(5 762 346)
		(9 202 791)	(5 669 990)
Non-controlling interest		(219 548)	113 817
		(9 422 339)	(5 556 173)
Liabilities			
Non-Current Liabilities			
Deferred tax	11	511 496	1 001 105
Lease liabilities	8	1 790 970	1 950 935
		2 302 466	2 952 040
Current Liabilities			
Trade and other payables	18	2 578 767	1 174 834
Loans from group companies	9	38 040 854	23 958 751
Current tax payable	14	-	80 243
Lease liabilities	8	523 106	281 451
		41 142 727	25 495 279
Total Liabilities		43 445 193	28 447 319
Total Equity and Liabilities		34 022 854	22 891 146

The notes on pages 11 to 45 form an integral part of the special purpose consolidated financial statements.

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Statement of Comprehensive Income

Figures in Rand	Note(s)	2018	2017
Revenue	20	28 139 936	12 082 867
Cost of sales		(13 806 800)	(5 257 423)
Gross profit		14 333 136	6 825 444
Other income	21	191 454	298 350
Operating expenses		(18 801 816)	(13 757 731)
Operating loss	22	(4 277 226)	(6 633 937)
Investment revenue	23	31 819	20 477
Finance costs	24	(163 529)	(466 640)
Loss before taxation		(4 408 936)	(7 080 100)
Taxation	26	635 199	1 172 675
Loss for the year		(3 773 737)	(5 907 425)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Exchange gains (losses) on translating foreign operations		(92 429)	91 356
Other comprehensive (loss) income for the year net of taxation		(92 429)	91 356
Total comprehensive loss for the year		(3 866 166)	(5 816 069)
Loss attributable to:			
Owners of Delta Drone South Africa (Pty) Ltd and its subsidiaries		(3 975 395)	(5 990 218)
Non-controlling interest		201 658	82 793
		(3 773 737)	(5 907 425)
Total comprehensive loss attributable to:			
Owners of Delta Drone South Africa (Pty) Ltd and its subsidiaries		(4 067 824)	(5 898 862)
Non-controlling interest		201 658	82 793
		(3 866 166)	(5 816 069)

The notes on pages 11 to 45 form an integral part of the special purpose consolidated financial statements.

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Statement of Changes in Equity

	Share capital	Foreign currency translation reserve	Accumulated loss	Total attributable to equity holders of the company	Non-controlling interest	Total equity
Figures in Rand						
Balance at 01 January 2017	-	-	227 872	227 872	-	227 872
Profit / loss for the year	-	-	(5 990 218)	(5 990 218)	82 793	(5 907 425)
Other comprehensive income	-	91 356	-	91 356	-	91 356
Total comprehensive loss for the year	-	91 356	(5 990 218)	(5 898 862)	82 793	(5 816 069)
Issue of shares	1 000	-	-	1 000	-	1 000
Minority share: Rocketmine Limited - Ghana	-	-	-	-	31 024	31 024
Total changes	1 000	-	-	1 000	31 024	32 024
Balance at 31 December 2017	1 000	91 356	(5 762 346)	(5 669 990)	113 817	(5 556 173)
Profit / loss for the year	-	-	(3 975 395)	(3 975 395)	201 658	(3 773 737)
Other comprehensive income	-	(92 429)	-	(92 429)	-	(92 429)
Total comprehensive loss for the year	-	(92 429)	(3 975 395)	(4 067 824)	201 658	(3 866 166)
Minority share: Rocketmine (Pty) Ltd - change of ownership interest without loss of control	-	-	535 023	535 023	(535 023)	-
Total changes	-	-	535 023	535 023	(535 023)	-
Balance at 31 December 2018	1 000	(1 073)	(9 202 718)	(9 202 791)	(219 548)	(9 422 338)

Note(s)

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The notes on pages 11 to 45 form an integral part of the special purpose consolidated financial statements.

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Statement of Cash Flows

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Cash used in operations	27	(3 308 759)	(6 253 155)
Interest income		31 819	20 477
Finance costs		(163 529)	(466 640)
Tax paid	28	(508 403)	(52 163)
Net cash from operating activities		(3 948 872)	(6 751 481)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(7 193 498)	(4 177 169)
Acquisition of businesses	29	-	(11 641 558)
Net cash from investing activities		(7 193 498)	(15 818 727)
Cash flows from financing activities			
Proceeds on share issue	16	-	1 000
Loans advanced from group companies		13 339 951	23 958 751
Net cash from financing activities		13 339 951	23 959 751
Total cash movement for the year		2 197 581	1 389 543
Cash at the beginning of the year		1 480 899	-
Effect of exchange rate movement on cash balances		(92 429)	91 356
Total cash at end of the year	15	3 586 051	1 480 899

The notes on pages 11 to 45 form an integral part of the special purpose consolidated financial statements.

Delta Drone South Africa (Pty) Ltd and its subsidiaries

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Special Purpose Consolidated Financial Statements for the year ended 31 December 2018

Notes to the Special Purpose Consolidated Financial Statements

Figures in Rand	2018	2017
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1. General

Definitions in these financial statements

The group - Delta Drone South Africa (Pty) Ltd and its subsidiaries

Related party - Within its meaning in IAS 24 (2009), "Related Party Disclosures".

Rand - South African Rands

IFRS - International Financial Reporting Standards

2. Basis of preparation

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) including limited notes applicable to possible fair value measurements.

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.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for financial instruments, property, plant and equipment that have been measured at fair value in initial accounting of a business combination.

The special purpose consolidated financial statements set out on page 7, were authorized for issue by the company's board of directors on 05 October 2020.

Principles of consolidation and equity accounting

The consolidated group annual financial statements incorporate the special purpose consolidated financial statements of the group and all subsidiaries and joint ventures, including special purpose entities, which are controlled by the group.

Subsidiaries

Subsidiaries are all entities (including structured or special purpose entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. In determining whether control exists the

The group considers all relevant facts and circumstances, including:

- The size of the group's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the group and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The results of subsidiaries (including special purpose entities) are included in the consolidated group annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the group annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

Subsidiaries with different year-ends have been consolidated on the same accounting period.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Delta Drone South Africa (Pty) Ltd and its subsidiaries

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Special Purpose Consolidated Financial Statements for the year ended 31 December 2018

Notes to the Special Purpose Consolidated Financial Statements

2. Basis of preparation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. The proportion of the loss of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Translation of foreign currencies

The financial statements are presented in South African Rands, which is the group's functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous group annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Investments in foreign subsidiaries

Exchange differences arising on the translation of a foreign operation into the functional currency of the group are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

Cumulative exchange differences on disposal of a foreign subsidiary are not reclassified to profit or loss.

Use of estimates and judgments

The preparation of annual financial statements in conformity with International Financial Reporting Standards requires management of the group to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses represented in the annual financial statements and related disclosures. Actual results in the future could differ from these estimates which may be material to the financial statements.

The preparation of accounting estimates used in the preparation of the group's annual financial statements requires management of the group to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the group prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

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Special Purpose Consolidated Financial Statements for the year ended 31 December 2018

Notes to the Special Purpose Consolidated Financial Statements

2. Basis of preparation (continued)

Critical accounting judgements, estimates and assumptions

Depreciation, amortisation rates and residual values

The group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment, the following factors are taken into account:

- External residual value information (if applicable).
- Internal technical assessments for complex plant and machinery.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The group uses judgements in making these assumptions and selecting inputs to the impairment calculation based on the group's past history of defaults, existing market condition as well as forward looking estimates in each reporting period.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Leases

Group as a lessee

The group leases property and office equipment. Rental agreements are typically for fixed periods but may have extension options.

The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

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(Registration number: 2016/349398/07)

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Notes to the Special Purpose Consolidated Financial Statements

2. Basis of preparation (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts.

Refer to Note 8, Right of use assets and leases, for further details on leases.

Operating cycle

The operating cycle of the group is one year. Thus, current assets and current liabilities include items the realization of which is intended and anticipated to take place within one year.

Restriction of distribution

These separate financial statements have been prepared for the purpose of the ASX prospectus process, the group and Parazero Ltd an Australian registered company and potential acquirer of Delta Drone South Africa (Pty) Ltd Group and therefore these financial statements may not be suitable for another purpose.

3. Significant accounting policies

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) including limited notes applicable to possible fair value measurements.

Except for the changes below, these accounting policies are consistent with the previous period. The financial statements are prepared on the going concern basis.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers.

The group had to change its accounting policies and no retrospective adjustments were made following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 33.

The group has also applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017 (early adoption effective 1 January 2019):

- IFRS 16 Leases

The group had to change its accounting policies and retrospective adjustments were made following the adoption of IFRS 16. This is disclosed in note 33.

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Financial instruments

Investments and financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows and are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following three categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments at fair value through the statement of other comprehensive income (FVTOCI)

Financial assets at FVTPL

Financial assets at FVTPL comprise quoted and unquoted equity instruments which the group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI (Solely Payments of Principal and Interest) criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Financial assets at amortised cost

Financial assets with contractual cash flows representing SPPI and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The group's trade and most other receivables fall into this category of financial instruments.

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3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment

The group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVTOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix. For other financial assets,

the ECL is based on either the 12-month or lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. In all cases, the group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group.

Derivative financial instruments

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Accounting policies applied until 31 December 2017

Classification

Until 31 December 2017, the group classified its financial assets in the following classification categories:

- Loans and receivables

Reclassification

The application of IFRS 9 did not result in the reclassification of any financial assets.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

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3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment

The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing of trade receivables is described in note 32.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of the shares are recognized as a deduction from equity, net of any tax effects.

Plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of the continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Plant and equipment (continued)

The estimated useful lives for the current and comparative periods are as follows:

Item	Depreciation method	Depreciation rate
Survey equipment	Straight line	100.00%
Other fixed assets	Straight line	25%
Furniture and fixtures	Straight line	16.67%
Office equipment	Straight line	16.67%
IT equipment	Straight line	33.33%
Leasehold improvements	Straight line	10 - 33.3%
Drone accessories	Straight line	66.67%
Small assets	Straight line	100.00%
Drones	Straight line	33.33%

Depreciation methods and useful lives are reviewed at the end of each reporting year and adjusted if appropriate.

Certain classes of property, plant and equipment is carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Impairment of non-financial assets

The group assesses, at the end of each reporting period, whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units or groups of units.

The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being operating segments.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis. Inventories are assessed for impairment at each reporting date.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Revenue recognition

Lease revenue

Operating lease revenue is recognised on a straight line over the term of the lease.

Services

The group provides remote piloted aircraft services under fixed-price, fixed period contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the total contract duration versus the number of months completed.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Financing components

The group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Revenue recognition (continued)

Accounting policies applied until 31 December 2017

The group applied IFRS 15, but has elected not to restate comparative information. As a result the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy:

Until 31 December 2017 revenue was measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of trade discounts, volume rebates, and value added tax.

Services

When the outcome of a transaction involving the rendering of services could be estimated reliably, revenue associated with the transaction was recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction was be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services could not be estimated reliably, revenue would be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue was recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion was determined by the proportion of costs incurred to date to the total estimated costs of the transaction. Service revenue arising from maintenance service contracts was recognised on a straight line basis.

For arrangements to sell services only, revenue from training, or consulting services was recognised when the services were performed. Maintenance service revenue, including post-contract customer support, was deferred and recognised on a straight line basis over the contracted service period.

Interest revenue

Interest was recognised, in profit or loss, using the effective interest rate method.

Research and development expenses

Research and development expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the group's intention to complete the intangible asset; and the group's ability to measure reliably the expenditure attributable to the intangible asset during its development. Since the group's research and development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied, and, therefore, research and development expenses are recognized in profit or loss when incurred.

As of 31 December 2018, no development expenditures have met the recognition criteria and thus the group expensed all of its development expenditures as incurred.

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3. Significant accounting policies (continued)

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities

Current tax comprises normal income tax on companies. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Provisions and contingencies

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation.

The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, a provision is recognised when expected benefits to be derived from a contract of meeting its obligation under the contract are less than the unavoidable costs.

Depending on the circumstances of the onerous contract, the provision is measured at either the present value of the expected cost of terminating the contract or the expected net cost of completing the contract.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the greater of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the item can be measured reliably.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided for on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at every year-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

- Computer software, internally generated 1 - 3 years
- Brand names 1 - 5 years
- Customer relationships 2 - 10 years

Financing income and expenses

Financing expense includes bank charges, changes in foreign currency losses change in fair value of derivatives and interest expenses.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either financing income or financing expenses, depending on whether foreign currency movements are in a net gain or net loss position.

Leases

On 1 January 2017, the group early adopted IFRS 16, Leases (IFRS 16 - applicable 1 January 2019). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for all leases with a lease term exceeding 12 months in the statement of financial position. The right-of-use asset represents the lessee's right to use the underlying leased asset while the lease liability represents the lessee's obligation to make lease payments.

The group assesses at contract inception whether a contract is, or contains, a lease. That is, the group assesses whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement date of the lease, the group recognizes a right-of-use asset and a lease liability for all leases with a lease term exceeding 12 months. The commencement date is the date when the lessor makes the underlying leased asset available for use by the group.

The group applies a practical expedient available under IFRS 16 whereby the group does not recognize any leases, where the lease term is 12 months or less at the lease commencement date (short-term leases), in its statement of financial position. Instead, the group recognizes the lease payments associated with short-term leases as an operating expense on a straight-line basis over the lease term. In addition, as a practical expedient, the group does not separate certain non-lease components from lease components but instead accounts for each lease component and associated specified non-lease component as a single lease component. Non-lease components such as payments for maintenance and services made in conjunction with the leased asset are included in the lease liability whenever these payments are fixed and defined in the lease contract. Other payments for non-lease components which are variable based on consumption, as an example property taxes, insurance payments and variable property service costs, are recognized as an expense when incurred.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurements of the lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

Item	Useful life
Buildings	2 - 3 years

The group applies the requirements of IAS 36, Impairment of Assets, to assess its right-of-use assets for impairment.

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3. Significant accounting policies (continued)

Leases (continued)

Lease liabilities are measured at the present value of lease payments to be made over the lease term. The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, as well as any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised. The lease payments include fixed lease payments and certain fixed non-lease components less any lease incentives receivable, variable lease payments that depend on an index or a rate, and appropriate termination fees whenever the lease term has been determined based on the expectation that the group will exercise its option to terminate. The group does not generally enter into lease contracts with variable lease payments linked to future performance or use of an underlying asset.

After the commencement date, the amount of lease liabilities is measured on an amortized cost basis using the effective interest method where the lease liabilities increase related to the accretion of interest and decrease for lease payments made. In addition, the carrying amounts for the right-of-use asset and lease liability are remeasured if there is a modification, a change in the lease term or a change in the future lease payments resulting from a change in an index or rate used to determine such lease payments. The interest component of the lease payments is recognized as interest expense within financial income and expenses.

The group uses its incremental borrowing rate to calculate the present value of lease payments as the interest rate implicit in the lease is not readily determinable. The group estimates its incremental borrowing rate quarterly based on the rate of interest that the group would pay to borrow over the lease term with a similar security to obtain an asset of a similar value to the leased asset in a similar economic environment. The group measures all leases at amortized cost based on the appropriate discount rate available in the quarter when lease commencement occurred. Where a lease contract modification or reassessment of the lease liability resulting from a change in the lease term occurs, the group remeasures the present value of the lease liability based on the appropriate discount rate available in the quarter when the reassessment or modification occurs.

The group acts primarily as a lessee in its leasing transactions.

Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency of the group, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

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Notes to the Special Purpose Consolidated Financial Statements

3. Significant accounting policies (continued)

Translation of foreign currencies (continued)

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Translation of foreign operations

The statements of financial position of foreign subsidiaries are translated into Rands at rates of exchange ruling at the end of the financial year. The related statements of comprehensive income are translated at the weighted average rates of exchange for the year. Exchange differences on translation of foreign subsidiaries are recognised directly in equity.

Functional and presentation currency

Items included in the financial statements of the group, which includes its foreign subsidiaries, are measured using the currencies of the primary economic environments in which the group and its foreign subsidiaries operate ("the functional currency"). The financial statements are presented in South African Rands, which is the group's functional currency and presentation currency.

Related parties

Parties are considered to be related to the entity if the entity has the ability, directly or indirectly, to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the entity and the party are subject to common control. Related parties also include key management personnel which are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

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4. New standards and interpretations not yet adopted

At the date of these financial statements, the following relevant standards and interpretations were in issue but not yet effective, and the group did not apply the new standard / interpretation:

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (hereinafter - "IAS 8")

Disclosure Initiative: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

IAS 8 is applicable for annual periods beginning on or after 1 January 2020.

IAS 12, Income Taxes (hereinafter - "IAS 12")

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12): Narrow-scope amendment to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

Annual Improvements 2015 - 2017 Cycle: Clarification that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises.

IAS 12 is applicable for annual periods beginning on or after 1 January 2019.

IAS 19, Employee Benefits (hereinafter - "IAS 19")

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19): The amendments require an entity to use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

IAS 19 is applicable for annual periods beginning on or after 1 January 2019.

IAS 23, Borrowing Costs (hereinafter - "IAS 23")

Annual Improvements 2015 -2017 Cycle:

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IAS 23 is applicable for annual periods beginning on or after 1 January 2019.

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5. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Survey equipment	35 597	(32 574)	3 023	-	-	-
Furniture and fixtures	227 479	(32 626)	194 853	69 897	(1 045)	68 852
Office equipment	122 781	(17 770)	105 011	65 215	(2 883)	62 332
IT equipment	1 855 540	(516 920)	1 338 620	776 387	(95 585)	680 802
Leasehold improvements	975 867	(364 818)	611 049	881 431	(44 979)	836 452
Drone accessories	1 030 885	(226 342)	804 543	-	-	-
Small assets	174 928	(174 928)	-	145 907	(145 907)	-
Drones	7 203 235	(3 576 325)	3 626 910	2 503 138	(1 125 211)	1 377 927
Other fixed assets	9 160	(1 336)	7 824	-	-	-
Total	11 635 472	(4 943 639)	6 691 833	4 441 975	(1 415 610)	3 026 365

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Foreign exchange movements	Depreciation recharge - Rocketmine Ltd	Depreciation: cost of sales - Rocketmine Ltd	Depreciation	Closing balance
Survey equipment	-	35 597	-	-	(32 574)	-	3 023
Furniture and fixtures	68 852	157 583	4	-	-	(31 586)	194 853
Office equipment	62 332	57 566	3	-	-	(14 890)	105 011
IT equipment	680 802	1 079 154	30	(183 771)	(13 527)	(224 068)	1 338 620
Leasehold improvements	836 452	94 436	-	-	-	(319 839)	611 049
Drone accessories	-	1 030 885	39	(12 756)	(205 804)	(7 821)	804 543
Small assets	-	29 021	72	-	-	(29 093)	-
Drones	1 377 927	4 700 096	36	(16 980)	(2 426 830)	(7 339)	3 626 910
Other fixed assets	-	9 160	-	-	-	(1 336)	7 824
	3 026 365	7 193 498	184	(213 507)	(2 678 735)	(635 972)	6 691 833

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through business combinations	Depreciation	Closing balance
Furniture and fixtures	-	69 897	-	(1 045)	68 852
Office equipment	14 993	35 222	14 993	(2 876)	62 332
IT equipment	13 698	748 979	13 698	(95 573)	680 802
Leasehold improvements	20 730	860 701	-	(44 979)	836 452
Drones	51 840	2 381 839	51 840	(1 107 592)	1 377 927
	101 261	4 096 638	80 531	(1 252 065)	3 026 365

Net carrying amounts of leased assets

Leasehold improvements	611 049	836 452
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Notes to the Special Purpose Consolidated Financial Statements

Figures in Rand	2018	2017
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6. Goodwill

	2018			2017		
	Cost	Impairment loss	Carrying value	Cost	Impairment loss	Carrying value
Goodwill - Rocketmine South Africa (Pty) Ltd	7 013 804	(574 800)	6 439 004	7 013 804	(574 800)	6 439 004
Goodwill - Rocketmine Limited	120 779	-	120 779	120 779	-	120 779
Total	7 134 583	(574 800)	6 559 783	7 134 583	(574 800)	6 559 783

Reconciliation of goodwill - 2018

	Opening balance	Total
Goodwill - Rocketmine South Africa (Pty) Ltd	6 439 004	6 439 004
Goodwill - Rocketmine Limited	120 779	120 779
	6 559 783	6 559 783

Reconciliation of goodwill - 2017

	Opening balance	Additions through business combinations	Impairment loss	Total
Goodwill - Rocketmine South Africa (Pty) Ltd	-	7 013 804	(574 800)	6 439 004
Goodwill - Rocketmine Limited	-	120 779	-	120 779
	-	7 134 583	(574 800)	6 559 783

Additional information

The recoverable amount of all cash-generating units is based on value in use calculations, using five year cash flow projections based on forecast operating results. The recoverable amount of each cash-generating unit exceeds its carrying amount.

The group determines the recoverable amount, being the higher of the fair value less cost to sell and the value in use, of individual cash-generating units by discounting the expected future cash flows of each of the identified cash-generating units. The recoverable amount is then compared to the carrying value of the respective cash-generating unit and an impairment loss is raised if required.

During the current and prior year there were no further indications of impairment. Management regards the cash-generating units to continue in the foreseeable future and no further impairments have resulted from impairment testing in the reporting period.

The key assumptions used in the value in use calculations and the approach to determining the recoverable amount of all cash generating units in the current and previous period are:

Assumptions Approach used to determining values:

- Discount rate (Pre-tax): Risk in the industry and country in which each CGU operates
- Revenue growth rate: Relevant to the market conditions and business plan
- Budgeted gross profit rate: Based on past performance and management's expectations for the future
- Long term growth rate: Typically consistent with the long term growth rate of the economic environment or country within which the CGU operates.

The following key assumptions were used in the discounted cash flow model:

- 17.1% (2017: 17.1%) pre-tax discount rate;
- 77.6% (2017: 77.6%) budgeted gross profit margin;
- 1069.6% (2017: 16.1%) revenue growth rate.

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Figures in Rand

2018

2017

7. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Brand names	350 000	(128 333)	221 667	350 000	(58 333)	291 667
Licences to operate	1 400 000	(513 333)	886 667	1 400 000	(233 333)	1 166 667
Client contracts and relationships	2 255 400	(2 067 450)	187 950	2 255 400	(939 750)	1 315 650
Domain, manuals and processes	1 095 000	(645 945)	449 055	1 095 000	(293 611)	801 389
Total	5 100 400	(3 355 061)	1 745 339	5 100 400	(1 525 027)	3 575 373

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Brand names	291 667	(70 000)	221 667
Licences to operate	1 166 667	(280 000)	886 667
Client contracts and relationships	1 315 650	(1 127 700)	187 950
Domain, manuals and processes	801 389	(352 334)	449 055
	3 575 373	(1 830 034)	1 745 339

Reconciliation of intangible assets - 2017

	Opening balance	Additions through business combinations	Amortisation	Total
Brand names	-	350 000	(58 333)	291 667
Licences to operate	-	1 400 000	(233 333)	1 166 667
Client contracts and relationships	-	2 255 400	(939 750)	1 315 650
Domain, manuals and processes	-	1 095 000	(293 611)	801 389
	-	5 100 400	(1 525 027)	3 575 373

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Figures in Rand	2018	2017
8. Right-of-use assets and leases		
<i>Right-of-use assets:</i>		
Right-of-use assets represent the group's right to use the underlying leased assets:		
Acquisition cost as of 1 January	2 318 191	-
Net additions	392 328	2 318 191
Acquisition cost as of 31 December	2 710 519	2 318 191
Accumulated depreciation as of 1 January	(132 468)	-
Depreciation	(430 098)	(132 468)
Accumulated depreciation as of 31 December	(562 566)	(132 468)
Net book value as of 31 December	2 147 953	2 185 723
Amounts recognized in the income statement		
Depreciation expense on right-of-use assets	430 098	132 468
Interest expense on lease liabilities	162 964	57 155
Total recognized in the income statement	593 062	189 623
Amounts recognized in the statement of cash flows		
Payment of principal portion of lease liabilities	(310 638)	(85 805)
Interest portion of lease liabilities	(162 964)	(57 155)
Total cash outflow for leases	(473 602)	(142 960)
Changes in lease liabilities reported in financing activities		
As of 1 January	2 232 385	-
Cash flows	(473 602)	(142 960)
Non-cash changes:		
- Net additions	392 328	2 318 191
- Interest expense	162 964	57 155
As of 31 December	2 314 075	2 232 386

Right-of-use assets comprise of 2 properties being:

- Willow Wood: Unit 4, Block B Willow Wood Office Park, 220 Third Street, Chartwell, Fourways - subject to an annual escalation of 7.5% per annum.
- Molopo: Kuduyane Estate, 30 Molopo, Kathu - subject to an annual escalation of 8% per annum.

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Figures in Rand	2018	2017
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9. Loans to (from) group companies

Associate

Drone Safety & Legal (Pty) Ltd	742 151	(88 560)
This loan is unsecured, bears interest at 2.5% if the entity has a positive nett asset value and is repayable on demand, subject to 3 months notice.		

Holding company

Delta Drone SA (French Joint Stock Company)	(38 040 854)	(23 870 191)
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The amount of R11 641 738 currently representing part of the loan shall be applied in respect of an allotment of additional shares to Delta Drone SA (registered in France) that took place on 25 April 2019.

The loan bears interest at 2.5% if the entity has a positive nett asset value and is repayable on demand, subject to 3 months notice.

This loan has been subordinated to the claims of all current and future creditors of the group, until such time as the assets fairly valued exceed its liabilities.

Current assets	742 151	-
Current liabilities	(38 040 854)	(23 958 751)
	(37 298 703)	(23 958 751)

10. Investments in associates

Name of company		% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Drone Safety & Legal (Pty) Ltd	No par value shares	49.50 %	49.50 %	-	-

All the entities are incorporated in South Africa and share the year end of the group.

The carrying amount of associates is shown gross of impairment losses.

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Figures in Rand	2018	2017
11. Deferred tax		
Deferred tax liability	(511 496)	(1 001 105)
Deferred tax asset	1 067 912	770 870
Total net deferred tax asset (liability)	556 416	(230 235)
The major components of the deferred tax balance are as follows:		
Deferred tax liability		
Arising as a result of temporary differences on:		
Capital allowances	(22 801)	-
Brand name	(62 067)	(81 667)
Licences to operate	(248 267)	(326 667)
Client contracts and relationships	(52 626)	(368 382)
Domain, manuals and processes	(125 735)	(224 389)
Total deferred tax liability	(511 496)	(1 001 105)
Deferred tax asset		
Arising as a result of temporary differences on:		
Leases	46 514	-
Provisions	115 089	-
Deferred tax balance from temporary differences other than unused tax losses	161 603	-
Tax losses available for set off against future taxable income	906 309	770 870
Nett deferred tax asset / (liability)	1 067 912	770 870
Reconciliation of deferred tax asset/(liability)		
At beginning of year	(230 235)	-
Recognised in profit or loss:		
Prior period over (under) provision	564	-
Increases (decrease) in tax loss available for set off against future taxable income	134 875	771 434
Movement in temporary differences on property, plant and equipment	-	53 023
Movement in temporary differences on intangible assets	512 410	426 443
Movement in temporary differences from leases	46 514	-
Movement in temporary differences on provisions	115 089	-
Capital allowances	(22 801)	-
	786 651	1 250 900
Other:		
Arising on business combinations	-	(53 023)
Arising on business combinations	-	(1 428 112)
	-	(1 481 135)
At end of year	556 416	(230 235)

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Figures in Rand	2018	2017
12. Trade and other receivables		
Trade receivables *	11 412 431	4 362 175
Expected credit loss allowance	(530 343)	-
Prepayments	46 956	494 792
Deposits	139 374	70 520
VAT	62 785	123 332
Other receivables	43 382	210 775
	11 174 585	5 261 594

* These assets are financial assets carried at amortised cost.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 to 60 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 32.

Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 32.

The ageing of amounts due is as follows:

0 - 30 days	3 233 331	1 995 089
30 - 60 days	3 164 145	1 882 166
60 - 90 days	2 198 094	484 920
90 - 120 days	1 818 820	-
120+ days	998 041	-
	11 412 431	4 362 175

Reconciliation of provision for impairment of trade receivables

Provision for impairment	530 343	-
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As trade receivables are generally on 30 or 60 day terms, only trade receivables older than 60 days are considered past due but not impaired.

13. Inventories

Spare parts	21 333	21 333
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14. Current tax payable (receivable)

Current income tax balances

Tax asset	213 933	-
Dividend withholding tax liability	-	(80 243)
Foreign tax receivable	71 981	9 206
	285 914	(71 037)

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Figures in Rand	2018	2017
14. Current tax payable (receivable) (continued)		
Reconciliation of current income tax asset		
At beginning of year	(71 037)	-
Increase / (decrease) due to prior year adjustment	-	2 018
Charge for the year	(103 582)	-
Adjustment iro businesses sold and acquired during the year including exchange rate movements	-	(44 975)
NSF Levy incurred during the year	(47 870)	-
Withholding tax incurred during the year	-	(80 243)
Tax (received) / paid during the year	508 403	52 163
	285 914	(71 037)
15. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10 287	-
Bank balances	3 575 764	1 480 899
	3 586 051	1 480 899
16. Share capital		
Authorised		
20 000 Ordinary no par value shares	20 000	20 000
Issued		
Ordinary no par value shares	1 000	1 000
17. Foreign currency translation reserve		
Translation reserve comprises exchange differences on consolidation of foreign subsidiaries.		
Balance at 1 January	91 356	-
Foreign currency translation reserve	(92 429)	91 356
	(1 073)	91 356
18. Trade and other payables		
Trade payables *	1 439 950	552 071
VAT	644 555	367 728
Accrued audit fees	40 434	17 624
Other accrued expenses	108 915	47 990
Accrued expenses	344 913	189 421
	2 578 767	1 174 834

* These financial liabilities are carried at amortised cost.

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

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Figures in Rand	2018	2017
19. Commitments: Lease liabilities		
Leases – as lessee (expense)		
Minimum lease payments due		
Property		
- within one year	679 292	439 602
- in second to fifth year inclusive	2 032 031	2 032 354
	2 711 323	2 471 956

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

No contingent rent or purchase options are included in rental agreements. Lease payments escalate at 7.5% (2017: 7.5%) for Willow Wood (Sandton) and 8% (2017: n/a) for Molopo (Kathu) per annum.

20. Revenue

Rendering of services	16 303 883	2 914 675
Rental Income	11 836 053	9 168 192
	28 139 936	12 082 867

The group derives revenue from the transfer of services and rental income recognized over time.

Disaggregation of revenue from contracts with customers:

Figures in Rand	2018		2017	
	Rental income	Rendering of services	Rental income	Rendering of services
Revenue from external customers	11 836 053	16 303 883	9 168 192	2 914 675
Timing of revenue recognition	11 836 053	16 303 883	9 168 192	2 914 675
Over time	11 836 053	16 303 883	9 168 192	2 914 675
	11 836 053	16 303 883	9 168 192	2 914 675

21. Other income

Profit and loss on sale of assets and liabilities	260	-
Profit and loss on exchange differences	156 183	-
Insurance payout	35 011	-
Tenant installation income	-	298 350
	191 454	298 350

22. Operating loss

Operating loss for the year is stated after accounting for the following:

Amortisation on intangible assets	1 830 034	1 525 027
Depreciation on property, plant and equipment	635 972	1 252 065
Employee costs	7 791 755	5 423 895
Research and development costs	-	13 500

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Figures in Rand	2018	2017
23. Investment revenue		
Interest revenue		
Bank	31 819	20 477
24. Finance costs		
Bank interest expense	562	8 271
Other interest paid	3	401 214
Interest on lease liabilities	162 964	57 155
	163 529	466 640

25. Directors' remuneration

Executive

2018

	Emoluments	Annual bonus	Other benefits*	Total
CS Clark	804 000	-	368 949	1 172 949
A Harduth	615 088	-	157 764	772 852
NE Mnisi	510 205	-	12 579	522 784
	1 929 293	-	539 292	2 468 585

2017

	Emoluments	Annual bonus	Other benefits*	Total
CS Clark	707 520	34 536	197 245	939 301

* Other benefits comprise travel, medical and other benefits.

For the year ended 31 December 2018, the following directors received payments from the group:

- CS Clark
- A Harduth
- NE Mnisi

For the year ended 31 December 2017, the following directors received payments from the group:

- CS Clark

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Notes to the Special Purpose Consolidated Financial Statements

Figures in Rand	2018	2017
26. Taxation		
Major components of the tax income		
Current taxation		
South African normal tax - year	55 171	-
South African normal tax - prior period (over) under provision	-	(2 018)
NSF Levy / Dividend withholding tax	48 411	80 243
	103 582	78 225
Deferred taxation		
South African deferred tax - current year	(738 216)	(1 250 900)
South African deferred tax - prior period	(565)	-
	(738 781)	(1 250 900)
	(635 199)	(1 172 675)
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
South African normal tax rate	28.00 %	28.00 %
Foreign tax rate differential	(0.33)%	- %
Goodwill impaired	- %	(2.27)%
Donations	(0.07)%	- %
Permanent differences	(1.27)%	- %
Prior period (over) under provisions in deferred tax	0.09 %	- %
Dividend withholding tax paid	- %	(1.11)%
Tax on assessed loss not recognized	(17.71)%	(8.04)%
Utilisation of previously unrecognised tax losses	5.83 %	- %
Effective tax rate	14.54 %	16.58 %
Deferred tax has not been recognised in respect of the assessed loss of Delta Drone South Africa (Pty) Ltd as it is uncertain whether it will be utilised in the foreseeable future.		
27. Cash used in operations		
Loss before taxation	(4 408 936)	(7 080 100)
Adjustments for:		
Depreciation and amortisation	2 466 006	2 777 092
Interest received	(31 819)	(20 477)
Finance costs	163 529	466 640
Impairment loss	-	574 800
Movement on right of use assets	37 770	(2 185 723)
Movement in lease liabilities	81 690	2 232 386
Depreciation : Cost of Sales recharge - Rocketmine Limited (Ghana)	2 892 242	-
Additions through business combinations	-	524 500
Rate of exchange movement on plant and equipment - Rocketmine Limited (Ghana)	(184)	-
Expected credit loss allowance	530 343	-
Changes in working capital:		
Inventories	-	26 956
Trade and other receivables	(6 443 334)	(4 205 148)
Trade and other payables	1 403 934	635 919
	(3 308 759)	(6 253 155)

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Figures in Rand	2018	2017
28. Tax paid		
Balance at beginning of the year	(71 037)	-
Current tax for the year recognised in profit or loss	(103 582)	(78 225)
Adjustment in respect of businesses sold and acquired during the year including exchange rate movements		(44 975)
Adjustment in respect of prior periods	(47 870)	
Balance at end of the year	(285 914)	71 037
	(508 403)	(52 163)
29. Acquisition of businesses		
Fair value of assets acquired		
Property, plant and equipment	-	80 531
Intangible assets	-	5 100 400
Deferred tax assets / liabilities	-	(1 428 112)
Goodwill	-	7 013 804
Inventories	-	48 289
Trade and other receivables	-	1 056 445
Trade and other payables	-	(539 317)
Tax assets / liabilities	-	(44 974)
Loans receivable	-	18 372
Cash and bank	-	336 120
	-	11 641 558
Consideration paid		
Cash	-	(11 641 558)
Net cash outflow on acquisition		
Cash consideration paid	-	(11 641 558)

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Notes to the Special Purpose Consolidated Financial Statements

Figures in Rand	2018	2017
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30. Related parties

Relationships

Ultimate holding company

Holding company

Subsidiaries

Associates

Delta Drone SA (French Joint Stock Company)

Delta Drone South Africa (Pty) Ltd

Rocketmine (Pty) Ltd - Refer to note

Delta Drone Safety and Legal (Pty) Ltd - Refer to note 10

Common director control

Public Display Technology (Pty) Ltd

Members of key management

RL Sanz

CS Clark

Related party balances and transactions with entities with control, joint control or significant influence over the company

Related party balances

Loan accounts - Owning (to) by related parties

Delta Drone SA (French Joint Stock Company) - Delta Drone South Africa (Pty) Ltd	(38 040 854)	(23 870 191)
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Drone Safety and Legal (Pty) Ltd	742 151	(88 560)
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Related party transactions

Loans advanced from / (repaid to) group companies

Delta Drone SA (French Joint Stock Company) - Delta Drone South Africa (Pty) Ltd	14 170 662	23 870 191
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Drone Safety and Legal (Pty) Ltd	(830 711)	88 560
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31. Going concern

We draw attention to the fact that at 31 December 2018, the company had accumulated losses of R 9 202 718 and that the group's total liabilities exceed its assets by R (9 422 339).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the group and that the subordination agreement referred to in note 9 of these annual financial statements will remain in force for as long as it takes to restore the solvency of the group.

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32. Risk management

Overview

The group has exposure to the following risks from its use of financial instruments:

- A. Capital risk management
- B. Liquidity risk
- C. Credit risk
- D. Foreign exchange risk

A. Capital risk management

For the purpose of the group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise the shareholder value.

The group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The gearing ratio at 2018 and 2017 respectively were as follows:

	2018	2017
Total borrowings		
Loans from group companies	38 040 854	23 958 751
Lease liabilities	2 314 075	2 232 386
Tax payable	-	80 243
Trade and other payables	2 578 767	1 174 834
Less: Cash and cash equivalents	(3 586 051)	(1 480 899)
Net debt	39 347 645	25 965 315
Total equity	(9 422 339)	(5 556 173)
Total capital	29 925 306	20 409 142

B. Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by the delivering of cash or another financial asset.

The group monitors its risk to a shortage of funds by preparing cashflow forecasts on a regular basis. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and related party loans.

The table below summarises the maturity profile of the group's financial liabilities as at 31 December 2018 and 2017, based on contractual undiscounted payments:

At 31 December 2018	Within 2-5 years	Within 1 year	On demand	Total
Loans from group companies	-	-	38 040 854	38 040 854
Lease liabilities	1 790 970	523 105	-	2 314 075
Trade and other payables	-	-	2 578 767	2 578 767
	1 790 970	523 105	40 619 621	42 933 696

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32. Risk management (continued)

At 31 December 2017	Within 2-5 years	Within 1 year	On demand	Total
Loans from group companies	-	-	23 958 751	23 958 751
Tax payable	-	80 243	-	80 243
Lease liabilities	1 950 935	281 451	-	2 232 386
Trade and other payables	-	-	1 174 834	1 174 834
	1 950 935	361 694	25 133 585	27 446 214

C. Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a concentrated customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Credit guarantee insurance is purchased when deemed appropriate.

D. Foreign exchange risk

The group conducts transactions in various foreign currencies. As a result, it is exposed to foreign exchange rate movements between the dates that foreign currency transactions are recorded (foreign sales and purchases) and the dates upon which they are consummated (cash receipts and cash disbursements in foreign currencies). Where considered appropriate, the group hedges its foreign currency exposure for either purchases or sale transactions using forward exchange contracts or other similar products, or by ensuring sufficient cash is held in the required foreign currency to meet future obligations. However for accounting purposes, the group does not hedge account. In other instances the risk arising from foreign exchange rate movements is priced into the cost of goods or services and recovered directly from customers.

Foreign currency exposure at the end of the reporting period:

	2018		2017	
	FC	R	FC	R
Financial assets				
Petty cash balance - GHS	3 552	10 287	-	-
Bank balance - USD	64 627	930 369	1 993	24 643
Bank balance - GHS	53 731	155 586	91 016	273 544
Trade receivables - USD	229 768	3 273 039	60 407	746 889
Trade receivables - GHS	-	-	11 380	34 202
Other receivables - GHS	127 575	369 410	56 897	171 000
	479 253	4 738 691	221 693	1 250 278

	2018		2017	
Figures in Rand	FC	R	FC	R
Financial liabilities				
Trade payables - EUR	(3 550)	(58 568)	-	-
Trade payables - GHS	(3 350)	(9 546)	-	-
Other payables - GHS	(273 649)	(792 383)	(95 896)	(288 213)
	(280 549)	(860 497)	(95 896)	(288 213)
Overall net position	198 704	3 878 194	125 797	962 065

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32. Risk management (continued)

D. Foreign exchange risk (continued)

Foreign exchange risk is managed locally, under policies approved by the board of directors of the ultimate holding company. These policies dictate that foreign exchange risk is assessed from the perspective of local company, and significant exposures in foreign currencies are hedged using forward exchange contracts.

Net impact on profit before tax :

10% Increase in foreign exchange rates	387 819	96 207
10% Decrease in foreign exchange rates	(387 819)	(96 207)

Exchange rates used for conversion of foreign items were:

	2018	2017
Euro -	16.50	14.81
USD -	14.40	12.36
GHS -	2.90	3.01

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33. Changes in accounting policy

The special purpose consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards on a basis consistent with the prior year except for the following:

Impact on the financial statements

As explained below, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The new accounting policies are set out in note 3 in the accounting policies.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies in the financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The only financial assets held were loans and receivables, and did not require reclassification.

Impairment of financial assets

The group has one type of financial asset that is subject to IFRS 9's new expected credit loss model, being trade receivables for lease rental revenue and the provision of services.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. No changes were required.

Trade receivables and contract assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

IFRS 15 Revenue from contracts with customers

The group has adopted IFRS 15 Revenue from contracts with customers from 1 January 2018 which resulted in changes in accounting policies in the financial statements.

The transitional provisions also require the restatement of comparatives for the 2017 financial year, however no such restatement was necessary.

Presentation of assets and liabilities related to contracts with customers:

The group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract assets recognised in relation to IT consulting contracts were previously presented as part of trade and other receivables
- Contract liabilities were previously presented as deferred revenue.

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33. Changes in accounting policy (continued)

IFRS 16 Leases

On 1 January 2017, the group early adopted IFRS 16, Leases (IFRS 16 effective 1 January 2019). The nature of the new standard, impact of adoption on the group's financial statements and changes to the group's accounting policies resulting from the adoption are described in detail below.

IFRS 16, Leases, was issued in January 2016 and sets out the requirements for the recognition, measurement, presentation and disclosure of leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and lease liabilities for all leases with a lease term exceeding 12 months in the statement of financial position.

The group early adopted IFRS 16 on the effective date of 1 January 2017 using the cumulative catch-up transition method. In accordance with the IFRS 16 transition guidance, comparative information was restated. Key judgments and estimates used under IFRS 16 primarily relate to the evaluation of lease terms and the use of discount rates, refer to Note 2, Use of estimates and judgments, and Note 3, Significant accounting policies.

IFRS 16 permits entities to elect a number of practical expedients to simplify the initial adoption of IFRS 16. Upon the early adoption of IFRS 16 on 1 January 2017:

- The group applied IFRS 16 to contracts that were previously identified as leases applying IAS 17, Leases (IAS 17), and IFRIC 4, Determining whether an Arrangement contains a Lease;
- The group adjusted its right-of-use assets by the amount of onerous lease contract provisions recognized in the statement of financial position as of 31 December 2018 and 2017 in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets;
- The group excluded initial direct costs related to the execution of lease contracts from the measurement of the right-of-use assets; and
- The group applied hindsight to estimate the lease term for all lease contracts existing on the effective date of 1 January 2017.

IFRS 16 opening balance sheet impact

Upon adoption, all lease liabilities were recorded with an equal amount recorded for the related right-of-use assets. The right-of-use assets were then adjusted for onerous lease contract provisions and accrued lease payments recognized in the statement of financial position immediately before adoption and for sublease net investment assets recognized upon adoption.

Lease liabilities recognized upon the adoption of IFRS 16 were previously classified as operating leases in accordance with the previous accounting standard IAS 17. Under the requirements of IAS 17, the group did not have any significant finance lease arrangements in the statement of financial position prior to adoption of IFRS 16.

Upon the adoption of IFRS 16, the group identified temporary differences between right-of-use assets, lease liabilities and their tax bases. The deferred tax assets and liabilities are recorded, subject to IAS 12, Income taxes, recognition and offsetting criteria.

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33. Changes in accounting policy (continued)

Changes in accounting policy - continued

The following table shows the adjustments recognized for each applicable line item in the statement of financial position. Financial statement line items unaffected by the adoption of IFRS 16 are excluded such that the subtotals and totals cannot be calculated from the numbers provided.

Assets	31 December 2016	Adjustment upon adoption of IFRS 16	1 January 2017
Right-of-use assets	-	2 318 191	2 318 191
Non-current assets	-	2 318 191	2 318 191
Total assets	-	2 318 191	2 318 191
Liabilities			
Long-term lease liabilities	-	(1 950 934)	(1 950 934)
Non-current liabilities	-	(1 950 934)	(1 950 934)
Short-term lease liabilities	-	(367 257)	(367 257)
Current liabilities	-	(367 257)	(367 257)
Total liabilities	-	(2 318 191)	(2 318 191)

In 2017, operating profit was higher primarily due to the recognition of the interest component on lease payments of R57 155 as interest expense within financial income and expenses and cash flow from operating activities was higher as the principal portion of lease payments, R142 960 was recorded within cash flow from financing activities.