

Draganfly Investments Limited ("Draganfly" or the "Company")

**Directors' report and audited financial statements
for the year ended 30 April 2015**

Chairman's Statement

In November 2014 the Company underwent a capital reorganisation raising gross proceeds of £360,000 by way of a subscription. The additional funding has provided the Company with liquidity and scope to develop any investment opportunities that may arise. In order to maximise returns for shareholders we have now completed the distribution in specie of our entire shareholding in Atlantic Healthcare plc ('Atlantic') to our existing investors prior to the subscription process. The listed shareholdings remain unchanged during the year.

The Board are looking into possible investment opportunities and hope to be in a position to update our shareholders in the coming months.

Thank you for your continued support.

Edward Bayman
Chairman

Copies of the annual report and accounts for the year ended 30 April 2015 will be available to view and download from the Company's website www.draganflyinvestments.com.

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Directors' Report

Principal activity

The principal activity of the company was as an investment trading and holding company. The company is registered and managed in Jersey.

Review of the business and future developments

The original investment brief is to run a small and focused portfolio of investments. The balance sheet total has decreased from £695,718 (net assets of 0.55p per share) on 30 April 2014, to £125,585 (net assets of 0.36p per share) on 30 April 2015. For the year ended 30 April 2015 the company made a loss of £250,914 (2014 - loss of £126,371), which includes a realised net gain on investments of £nil (2014 - gain of £22,920) and an unrealised loss on the company's investments of £3,326 (2014 - loss of £61,634) of which £3,326 has arisen from the quoted investments.

The key performance indicator used to monitor the progress of the business is net assets per share.

At 30 April 2015, the company held two investments, one fewer than at 30 April 2014.

On 26 November 2014 the company raised £360,000 by way of a subscription, and undertook a capital restructuring, further details are set out in the notes.

The board is always alert to fresh investment opportunities but does not anticipate materially increasing the number of holdings at this stage. The board believes the current environment for small companies and pre-IPO investments remains very encouraging.

Dividends

During the year the company made a distribution in specie to shareholders of its holdings in Atlantic Healthcare Plc, the fair value of the holding being £679,219.

The directors are unable to recommend payment of a final dividend.

Profit and loss account for the year ended 30 April 2015

	Continuing Operations	
	Year End 30/4/15	Year End 30/4/14
	£	£
Realised and unrealised change in Fair Value of investments	(3,326)	(38,714)
Income	53	8
	<u>(3,273)</u>	<u>(38,706)</u>
Administrative expenses	(247,641)	(87,665)
Operating loss	<u>(250,914)</u>	<u>(126,371)</u>
Taxation	-	-
Loss on ordinary activities	<u>(250,914)</u>	<u>(126,371)</u>

There are no recognised gains or losses other than those included in the profit and loss account. There is no requirement to present a note of historical cost profits and losses.

Loss per share (pence)

Basic	<u>1.14</u>	<u>1.01</u>
Diluted	<u>1.14</u>	<u>1.01</u>

Balance sheet as at 30 April 2015

	30/04/15	30/04/14
£	£	£
Fixed assets		
Investments	13,492	696,037

Current assets		
Debtors	7,388	8,858
Cash at bank and in hand	<u>122,653</u>	<u>6,499</u>
	<u>130,041</u>	<u>15,357</u>
Creditors: amount falling due within one year		
	<u>(17,948)</u>	<u>(15,676)</u>
Net current assets/(liabilities)	<u>112,093</u>	<u>(319)</u>
Total assets less current liabilities	<u>125,585</u>	<u>695,718</u>
Net assets	<u><u>125,585</u></u>	<u><u>695,718</u></u>
Capital and reserves		
Stated capital	3,596,573	-
Called up share capital	-	1,256,270
Share premium account	-	1,980,303
Profit and loss account	(3,470,988)	(2,540,855)
Equity shareholders' funds	<u><u>125,585</u></u>	<u><u>695,718</u></u>

**Cash flow statement
for the year ended 30 April 2015**

	Year ended 30/04/15 £	Year ended 30/04/14 £
Cash flow statement		
Net cash outflow from operating activities	(243,846)	(108,356)
Capital expenditure and financial investment	-	104,685
Proceeds from issue of share capital	360,000	-
Increase / (decrease) in cash in the year	<u>116,154</u>	<u>(3,671)</u>

Reconciliation of net cash flow to movement in net funds

Increase / (decrease) in cash in the year	116,154	(3,671)
Net funds at 1 May 2014	<u>6,499</u>	<u>10,170</u>
Net funds at 30 April 2015	<u><u>122,653</u></u>	<u><u>6,499</u></u>

Reconciliation of operating loss to net cash outflow from operating activities

Operating loss	(250,914)	(126,371)
Realised profit on sale of investments	-	(22,920)
Unrealised loss on revaluation of investments	3,326	61,634
Decrease/(increase) in debtors	1,470	(3,451)
Increase/(decrease) in creditors	<u>2,272</u>	<u>(17,248)</u>
Net cash outflow from operating activities	<u><u>(243,846)</u></u>	<u><u>(108,356)</u></u>

**Notes to the financial statements
for the year ended 30 April 2015**

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of fixed asset investments, and in accordance with applicable United Kingdom accounting standards.

1.2. Going concern basis of accounting

The company's business activities, together with the factors likely to affect its future development and financial position are set out in the Chairman's Statement, the review of the business on page 4 and in the risk management disclosures on pages 4 and 5 and in note 10.

The company has sufficient liquid funds to manage its financial risks and to ensure it can meet its obligations as they fall due.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a minimum period of at least 12 months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3. Foreign currencies

The company's accounts are presented in sterling which is its functional currency. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. All exchange differences are charged or credited to the profit and loss account.

1.4. Taxation

The company is eligible to pay Jersey tax at the standard rate of 0% and consequently, no provision for taxation, either current or deferred, has been made in these financial statements.

1.5. Financial instruments

Financial assets and liabilities are recognised in the balance sheet when the company has become party to the contractual provisions of the instrument.

Investments

The company manages its investments with a view to profiting from the receipt of dividends and changes in fair value of investments. Therefore all quoted investments and unquoted equity investments are designated at fair value through profit or loss and carried in the balance sheet at fair value. All investments are initially recognised at the fair value of the consideration given plus acquisition costs

associated with the investment and held at this value until it is appropriate to measure fair value on a different basis.

Investments are fair valued using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the balance sheet date.

Quoted investments are stated at bid prices at the balance sheet date.

Unlisted investments are stated at 'price of recent investment', reflecting the early stage nature of the investment. The following considerations are used when calculating the 'price of recent investment' in accordance with the International Private Equity and Venture Capital Valuation Guidelines, published in December 2012.

- (i) Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value.
- (ii) Where there has been a recent investment by third parties, the price of that investment will provide a basis of the valuation.
- (iii) Where a fair value cannot be estimated reliably, the investment is reported at cost or the carrying value at the previous reporting date, unless there is evidence that the investment has since been impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Short term creditors

Short term creditors comprise accrued costs at the year end, which do satisfy the definition of a financial liability as they create an obligation for the company to pay cash in the future, and are initially measured at fair value and subsequently at amortised cost using the effective interest method.

1.6. Income

Interest income is recognised on a time apportionment basis. Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

1.7. Segmental reporting

The company's activities consist solely of investment trading and holding, which in the view of the directors is one activity.

2. Income

The income of the company for the year comprises:

	Year ended 30/04/15	Year ended 30/04/14
	£	£

Bank interest received	<u>53</u>	<u>8</u>
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3. Operating loss

	Year ended 30/04/15 £	Year ended 30/04/14 £
Operating loss is stated after charging:		
Auditor remuneration	14,248	15,413
Cost of placing and reconstruction	146,754	-
	<u>161,002</u>	<u>15,413</u>

Remuneration paid to the auditor is solely in respect of audit services.

4. Directors' remuneration

	Year ended 30/04/15 £	Year ended 30/04/14 £
The company paid consultancy fees as follows:		
D Edmonds	<u>48,292</u>	<u>12,500</u>
	<u>48,292</u>	<u>12,500</u>

The services of the other three directors are made available by Pentera Trust Company Limited within the fees disclosed in the "Related party disclosures" note below. The cost of the directors' services included within these fees is £800 (2014: £800).

5. Loss per share

The basic loss per ordinary share is calculated by dividing the loss for the year by the weighted average number of equity shares outstanding during the year.

The diluted loss per ordinary share is calculated by dividing the loss for the year by the weighted average number of equity shares outstanding during the year (after adjusting both figures for the effect of dilutive potential ordinary shares).

The calculation of the basic loss per ordinary share is based upon the following data:

	30/04/15 £	30/04/14 £
Loss for the purposes of basic earnings per share and diluted earnings per share	<u>(250,914)</u>	<u>(126,371)</u>
<i>Number of shares</i>	30/04/15	30/04/14
Basic weighted average number of shares	<u>22,061,632</u>	<u>12,562,700</u>

Weighted average number of shares
for the purposes of diluted earnings per share

22,061,632

12,562,700

On 26 November 2014 225,000,000 new ordinary £0.01 shares were issued and immediately the total issued shares were consolidated into no par value shares on a ten for one share conversion basis. To ensure that the loss per share is relevant to the no par value share capital held at the year end the basic weighted average number of shares has been calculated as if the share capital had been converted into no par value shares as at the start of the prior year.

6. Fixed asset investments

The carrying value of investments is stated as follows:	Quoted £	Unquoted £	Total £
Fair value of investments at 1 May 2014	16,818	679,219	696,037
Disposal - distribution in specie at fair value	-	(679,219)	(679,219)
	<u>16,818</u>	<u>-</u>	<u>16,818</u>
Unrealised change in fair value of investments held at 30 April 2015 included in the profit and loss account	(3,326)	-	(3,326)
Fair value of total investments at 30 April 2015	<u>13,492</u>	<u>-</u>	<u>13,492</u>

None of the investments were 20% or more of the nominal value of any class of shares held.

The historical cost of the investments at the balance sheet date was £126,799 (2014: £376,799).

The company's holding in Atlantic Healthcare Plc was distributed in specie to the existing shareholders, prior to the issue of new shares, on a pro rata basis on 12 November 2014, as permitted by and in accordance with the procedures in section 115 of the Companies Jersey Law 1991.

7. Share capital

	Ordinary shares of £0.10 each		Ordinary shares of no par value	
	Number	£	Number	£
Authorised				
At 1 May 2014	1,000,000,000	10,000,000	-	-
Conversion to no par shares 1 for 10	(1,000,000,000)	(10,000,000)	100,000,000	-
Increase in authorised number of shares	-	-	7,500,000	-
At 30 April 2015	<u>-</u>	<u>-</u>	<u>107,500,000</u>	<u>-</u>

Allotted, called up and fully paid

At 1 May 2014	125,627,000	1,256,270	-	-
Issue of shares	255,000,000	360,000	-	-
Conversion to no par shares 1 for 10 (350,627,000)	(1,616,270)	(1,616,270)	35,062,700	-
At 30 April 2015	<u>-</u>	<u>-</u>	<u>35,062,700</u>	<u>-</u>

On 26 November 2014 the company raised additional gross proceeds of £360,000 through a share subscription of 225,000,000 new Ordinary shares of £0.01 each, issued at a discount.

At the same time the total issued Ordinary shares of £0.01 each were converted into no par value shares on a one for ten share consolidation basis.

A further maximum of 7,500,000 new Ordinary no par value shares were also authorised for issue.

8. Capital and Equity reserves

	Share Capital £	Stated capital £	Share premium account £	Profit and account £	Total £
At 1 May 2014	1,256,270	-	1,980,303	(2,540,855)	695,718
Loss for the year	-	-	-	(250,914)	(250,914)
Distribution in specie (see note 7)	-	-	-	(679,219)	(679,219)
Issue of shares	360,000	-	-	-	360,000
Conversion of share capital into no par shares	(1,616,270)	1,616,270	-	-	-
Transfer of share premium on conversion	-	1,980,303	(1,980,303)	-	-
At 30 April 2015	<u>-</u>	<u>3,596,573</u>	<u>-</u>	<u>(3,470,988)</u>	<u>125,585</u>

9. Reconciliation of movements in equity shareholders' funds

	30/04/15 £	30/04/14 £
Loss for the year	(250,914)	(126,371)
Distribution in specie	(679,219)	-
Proceeds from issue of shares	360,000	-
Net reduction in shareholders' funds	(570,133)	(126,371)
Opening shareholders' funds	695,718	822,089
Closing shareholders' funds	<u>125,585</u>	<u>695,718</u>

10. Related party disclosures

During the year the company paid fees of £45,875 (2014 - £22,475) to Pentera Trust Company Limited for administration and bookkeeping services under an administration agreement dated 30 June 2008. Pentera Trust Company Limited is a company of which T E G Bayman and J P Hamilton are directors and majority shareholders.

On 14 June 2013 the company appointed Intrinsic Capital LLP as investment advisors, which is under the control of Dusko Lukic and Mark Horrocks who is a former director. During the year the company paid fees of £18,000 (2014: £nil) to Intrinsic Capital LLP.

11. Gross cash flows

	30/04/15	30/04/14
	£	£
Capital expenditure and financial investment		
Payment for purchase of investments	-	(35,000)
Receipts from sales of investments	-	139,685
	<u>-</u>	<u>104,685</u>

12. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	<u>6,499</u>	<u>116,154</u>	<u>122,653</u>

13. Availability of Annual Reports and Accounts

Copies of the annual report and accounts for the year ended 30 April 2015 will be available to view and download from the Company's website www.draganflyinvestments.com.