

Registration number: 11673152

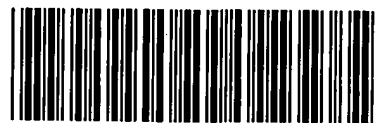
Dronamics Global Ltd

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2023

Sumer Auditco Limited
30 Gay Street
Bath
BA1 2PA

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Dronamics Global Ltd

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Dronamics Global Ltd

Company Information

Directors	Mr S Rangelov Mr K Rangelov
Registered office	20 Eastbourne Terrace London W2 6LG
Auditors	Sumer Auditco Limited 30 Gay Street Bath BA1 2PA

Dronamics Global Ltd

Strategic Report for the Year Ended 31 December 2023

The directors present their strategic report for the year ended 31 December 2023.

Principal activity

The principal activity of the group is freight air transport

Company Overview

Dronamics is the world's first cargo drone airline. As a leading developer and operator of large, long-range drones built specifically for cargo, its flagship Black Swan will carry 350 kg (770 lb) at a distance of up to 2,500 km (1,550 mi) up to 80% faster, 50% cheaper and with up to 60% lower emissions than alternative modes of transport, including airfreight. This proven technology enables same-day shipping over very long distances for a variety of industries: from pharma to food, from e-commerce to spare parts. The company's fast-growing team includes some of the most experienced aerospace, manufacturing, logistics and technology experts.

2023 marked a significant year for Dronamics as the group achieved several milestones. As the first licensed cargo drone airline, Dronamics continues to lead innovations in the logistics sector with its Black Swan drones and further research and development in alternative fuels.

Key Developments in 2023

1. First Flight of the Black Swan Cargo Drone

The Black Swan cargo drone completed its maiden flight. The successful flight test validates the company's licensed cargo drone technology for commercial flights worldwide. This milestone demonstrates the potential to enhance efficiency in the transportation of products.

2. €45 Million of Funding Raised

Dronamics successfully raised a total of €45 million in funding. This funding will accelerate the company's commercialisation efforts and support its operational scaling globally.

3. World's First Cargo Drone Airline Status Achieved

Dronamics became the first cargo drone airline globally to secure IATA and ICAO designator codes. This recognition cements the company's leadership role in the drone logistics industry and facilitates seamless integration with global logistics networks.

4. Strategic Manufacturing Joint Venture Announced in the UAE

Dronamics entered into a term sheet with the UAE's Strategic Development Fund (SDF) to form a strategic joint venture and establish a manufacturing facility for its Black Swan drones. This facility will have a production capacity of up to 300 units annually, enabling the company to meet increasing global demand.

5. Interline Agreement with Qatar Airways Cargo

Dronamics signed the world's first cargo drone interline agreement with Qatar Airways Cargo. This partnership enables customers to make a single booking from a Dronamics droneport to any destination in Qatar Airways' network, and vice versa.

Dronamics Global Ltd

Strategic Report for the Year Ended 31 December 2023

Fair Review of the Business

Business Performance

The Group continues to operate as a pre-revenue enterprise, focusing on developing its technology, infrastructure, and partnerships. The maiden flight of the Black Swan and the establishment of critical industry partnerships represent significant operational achievements.

Financial Position

The €45 million of funding raised provided the Group with the financial flexibility to execute its growth strategy. Although the Group reported an operating loss for the year, this reflects the continued investment in R&D, commercialisation, and market entry efforts.

Operational Highlights

The shift toward commercialisation has begun and the Group is working toward launching commercial flights in the near future. Partnerships with major players like Qatar Airways, Hellmann Worldwide Logistics and Aramex highlight the market's recognition of Dronamics' potential.

Sustainability and ESG Commitment

The Black Swan is designed to reduce emissions by up to 60% and costs by up to 50% compared to traditional transportation methods. Dronamics is committed to embedding sustainability into its operations, addressing global logistics challenges while minimising environmental impact.

Principal Risks and Uncertainties

The Board has identified the principal risks and implemented mitigating strategies. These risks and mitigating strategies include, but are not limited to, the following:

1. Regulatory Compliance

Risk: Delays in obtaining authorisations for drone operations in different jurisdictions.

Mitigation: Active collaboration with regulators and adherence to international aviation standards.

2. Technological Challenges

Risk: Potential delays in finalising commercial-grade drone technology.

Mitigation: Robust R&D processes and partnerships with engineering and aviation experts.

3. Funding and Liquidity

Risk: Dependence on external funding to sustain operations and growth.

Mitigation: Ongoing engagement with investors and exploration of alternative financing strategies.

4. Market Adoption

Risk: Risk of slower-than-expected adoption of drone logistics by customers.

Mitigation: Strategic partnerships, pilot programs, and targeted awareness campaigns.

5. Supply Chain Constraints

Risk: Challenges in sourcing components or scaling manufacturing.

Dronamics Global Ltd

Strategic Report for the Year Ended 31 December 2023

Mitigation: Establishing strong supplier relationships and creating a manufacturing joint venture in the UAE.

Future Outlook

Building on the progress of 2023, Dronamics is set to:

- Commence commercial operations in Europe in the near future.
- Further develop the plans for mass manufacturing facilities around the world.
- Strengthen its position as a leader in sustainable logistics through continued innovation and global expansion.

The Group is well-positioned to capitalise on emerging opportunities in the logistics market, while mitigating risks through proactive management and strategic planning.

The Group is actively preparing for a significant fundraising round, targeting EUR 250 million in 2025. This follows the EUR 7.5 million investment received in December 2024. Securing this additional funding is crucial for advancing the Group's strategic objectives and maintaining adequate liquidity to support ongoing operations.

Approved and authorised by the Board on 23.12.2024 and signed on its behalf by:



.....
Mr S Rangelov
Director

Dronamics Global Ltd

Directors' Report for the Year Ended 31 December 2023

The directors present their report and the consolidated financial statements for the year ended 31 December 2023.

Directors of the group

The directors who held office during the year were as follows:

Mr S Rangelov

Mr K Rangelov

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of Sumer Auditco Limited as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved and authorised by the Board on ..23.12.2024.... and signed on its behalf by:



.....
Mr S Rangelov
Director

Dronamics Global Ltd

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dronamics Global Ltd

Independent Auditor's Report to the Members of Dronamics Global Ltd

Opinion

We have audited the financial statements of Dronamics Global Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements that discloses a material uncertainty around the Group's ability to continue as a going concern. The material uncertainty relates to the timing and successful completion of fundraising which cannot be guaranteed at this point in time. These conditions, along with other matters explained in note 2 indicate that a material uncertainty exists that might cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

In auditing the financial statements, we have concluded the Directors use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Dronamics Global Ltd

Independent Auditor's Report to the Members of Dronamics Global Ltd

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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Director's Responsibilities set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the 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 (UK) 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Dronamics Global Ltd

Independent Auditor's Report to the Members of Dronamics Global Ltd

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK Financial Reporting Standards and UK taxation legislation.

We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.

We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.

We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.

Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Simon Cunningham (Senior Statutory Auditor)
For and on behalf of Sumer Auditco Limited, Statutory Auditor

30 Gay Street
Bath
BA1 2PA

Date: Dec 23, 2024

Dronamics Global Ltd

Consolidated Profit and Loss Account for the Year Ended 31 December 2023

	Note	2023 €	2022 €
Turnover	3	<u>2,007,309</u>	<u>1,169,966</u>
Gross profit		2,007,309	1,169,966
Administrative expenses		<u>(14,253,596)</u>	<u>(8,427,769)</u>
Operating loss	5	<u>(12,246,287)</u>	<u>(7,257,803)</u>
Fair value adjustments		(30,881,286)	-
Other interest receivable and similar income	6	81,391	82
Interest payable and similar expenses	7	<u>(658,829)</u>	<u>(520,499)</u>
		<u>(31,458,724)</u>	<u>(520,417)</u>
Loss before tax		(43,705,011)	(7,778,220)
Tax on loss	10	<u>162,192</u>	<u>981,402</u>
Loss for the financial year		<u>(43,542,819)</u>	<u>(6,796,818)</u>
Profit/(loss) attributable to:			
Owners of the company		<u>(43,542,819)</u>	<u>(6,796,818)</u>

The group has no recognised gains or losses for the year other than the results above.

Dronamics Global Ltd

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2023

	2023 €	2022 €
Loss for the year	<u>(43,542,819)</u>	<u>(6,796,818)</u>
Total comprehensive income for the year	<u><u>(43,542,819)</u></u>	<u><u>(6,796,818)</u></u>
Total comprehensive income attributable to:		
Owners of the company	<u><u>(43,542,819)</u></u>	<u><u>(6,796,818)</u></u>

Dronamics Global Ltd

(Registration number: 11673152) Consolidated Balance Sheet as at 31 December 2023

	Note	2023 €	2022 €
Fixed assets			
Intangible assets	11	7,519,882	3,986,608
Tangible assets	12	1,802,972	916,328
Other financial assets	14	24,876	24,311
		<u>9,347,730</u>	<u>4,927,247</u>
Current assets			
Debtors	15	2,296,349	1,728,539
Cash at bank and in hand		2,009,588	3,139,615
		4,305,937	4,868,154
Creditors: Amounts falling due within one year	17	<u>(69,056,690)</u>	<u>(21,655,605)</u>
Net current liabilities		<u>(64,750,753)</u>	<u>(16,787,451)</u>
Net liabilities		<u>(55,403,023)</u>	<u>(11,860,204)</u>
Capital and reserves			
Called up share capital	20	1,403	1,403
Share premium reserve		856,858	856,858
Retained earnings		(56,261,284)	(12,718,465)
Equity attributable to owners of the company		<u>(55,403,023)</u>	<u>(11,860,204)</u>
Shareholders' deficit		<u>(55,403,023)</u>	<u>(11,860,204)</u>

Approved and authorised by the Board on ^{23.12.2024}..... and signed on its behalf by:



.....
Mr S Rangelov
Director

Dronamics Global Ltd
(Registration number: 11673152)
Balance Sheet as at 31 December 2023

	Note	2023 €	2022 €
Fixed assets			
Intangible assets	11	7,338,561	3,783,396
Tangible assets	12	35,978	2,934
Investments	13	1,948	1,948
Other financial assets	14	24,876	24,311
		<u>7,401,363</u>	<u>3,812,589</u>
Current assets			
Debtors	15	5,713,244	3,454,579
Cash at bank and in hand		1,451,637	1,510,037
		<u>7,164,881</u>	<u>4,964,616</u>
Creditors: Amounts falling due within one year	17	<u>(68,357,972)</u>	<u>(20,015,184)</u>
Net current liabilities		<u>(61,193,091)</u>	<u>(15,050,568)</u>
Net liabilities		<u>(53,791,728)</u>	<u>(11,237,979)</u>
Capital and reserves			
Called up share capital	20	1,403	1,403
Retained earnings		<u>(53,793,131)</u>	<u>(11,239,382)</u>
Shareholders' deficit		<u>(53,791,728)</u>	<u>(11,237,979)</u>

The company made a loss after tax for the financial year of €42,553,749 (2022 - loss of €5,875,009).

Approved and authorised by the Board on 23.12.2024 and signed on its behalf by:



.....
Mr S Rangelov
Director

Dronamics Global Ltd

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023
Equity attributable to the parent company

	Share capital €	Share premium €	Retained earnings €	Total €	Total equity €
At 1 January 2023	1,403	856,858	(12,718,465)	(11,860,204)	(11,860,204)
Loss for the year	-	-	(43,542,819)	(43,542,819)	(43,542,819)
At 31 December 2023	<u>1,403</u>	<u>856,858</u>	<u>(56,261,284)</u>	<u>(55,403,023)</u>	<u>(55,403,023)</u>
	Share capital €	Share premium €	Retained earnings €	Total €	Total equity €
At 1 January 2022	1,403	856,858	(5,921,647)	(5,063,386)	(5,063,386)
Loss for the year	-	-	(6,796,818)	(6,796,818)	(6,796,818)
At 31 December 2022	<u>1,403</u>	<u>856,858</u>	<u>(12,718,465)</u>	<u>(11,860,204)</u>	<u>(11,860,204)</u>

The notes on pages 17 to 31 form an integral part of these financial statements.
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Dronamics Global Ltd

Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital	Retained earnings	Total
	€	€	€
At 1 January 2023	1,403	(11,239,382)	(11,237,979)
Loss for the year	-	(42,553,749)	(42,553,749)
At 31 December 2023	<u>1,403</u>	<u>(53,793,131)</u>	<u>(53,791,728)</u>
	Share capital	Retained earnings	Total
	€	€	€
At 1 January 2022	1,403	(5,364,373)	(5,362,970)
Loss for the year	-	(5,875,009)	(5,875,009)
At 31 December 2022	<u>1,403</u>	<u>(11,239,382)</u>	<u>(11,237,979)</u>

The notes on pages 17 to 31 form an integral part of these financial statements.
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Dronamics Global Ltd

Consolidated Statement of Cash Flows for the Year Ended 31 December 2023

	Note	2023 €	2022 €
Cash flows from operating activities			
Loss for the year		(43,542,819)	(6,796,818)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	611,726	169,723
Finance income	6	(81,391)	(82)
Finance costs	7	30,883,211	2,364
Income tax expense	10	<u>(162,192)</u>	<u>(981,402)</u>
		(12,291,465)	(7,606,215)
Working capital adjustments			
Increase in trade debtors	15	(567,810)	(1,297,039)
Increase in trade creditors	17	<u>16,519,797</u>	<u>14,882,352</u>
Cash generated from operations		3,660,522	5,979,098
Income taxes paid	10	<u>(116,437)</u>	<u>(9,365)</u>
Net cash flow from operating activities		<u>3,544,085</u>	<u>5,969,733</u>
Cash flows from investing activities			
Interest received		81,391	82
Acquisitions of tangible assets		(1,342,007)	(682,285)
Proceeds from sale of tangible assets		9,322	-
Acquisition of intangible assets	11	<u>(3,689,697)</u>	<u>(239,191)</u>
Net cash flows from investing activities		<u>(4,940,991)</u>	<u>(921,394)</u>
Cash flows from financing activities			
Interest paid	7	(1,923)	(2,364)
Repayment of other borrowing		249,759	(3,263,021)
Payments to finance lease creditors		<u>19,043</u>	<u>37,543</u>
Net cash flows from financing activities		<u>266,879</u>	<u>(3,227,842)</u>
Net (decrease)/increase in cash and cash equivalents		(1,130,027)	1,820,497
Cash and cash equivalents at 1 January		<u>3,139,615</u>	<u>1,319,118</u>
Cash and cash equivalents at 31 December		<u><u>2,009,588</u></u>	<u><u>3,139,615</u></u>

The notes on pages 17 to 31 form an integral part of these financial statements.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:
20 Eastbourne Terrace
London
W2 6LG

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The Group's financial statements have been prepared on a going concern basis, which assumes the Group will continue to operate for the foreseeable future. As of the date of approval of these financial statements, the Group is actively preparing for a significant fundraising round, targeting EUR 250 million, which is expected to be finalised in 2025.

The successful completion of this fundraising is critical to the Group's ability to execute its long-term strategic objectives and maintain adequate liquidity to fund operations. However, there is a material uncertainty related to the timing and successful completion of this fundraising, which may cast significant doubt on the Group's ability to continue as a going concern.

The directors are confident that the fundraising will be successfully completed, supported by strong investor interest. Nevertheless, in the event of delays in securing the target funds, the Group has identified mitigating actions, including raising additional capital through further SAFE notes or obtaining short-term loans from existing investors. These measures provide the directors with reasonable assurance that the Group will be able to meet its financial obligations as they fall due.

Based on these considerations, the directors believe that it is appropriate to prepare the financial statements on a going concern basis. However, given the material uncertainties described, there can be no absolute assurance regarding the successful and timely completion of the planned fundraising or implementation of the identified mitigating actions.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2023.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the group's activities.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

Research and development

Research and development costs are accounted for in terms of FRS 102. Where a project involves elements of technological uncertainty that raise questions concerning the technical feasibility, the Company opts to expense these costs. Conversely, for projects with lower technological uncertainty and a greater degree of technical feasibility, the Company opts to capitalise these costs as they satisfy the requirements for classification as intangible capital expenditure.

The research and development tax credit amount, where applicable, is recognised once an amount can be reliably estimated. When the Company incurs research and development expenditure, the tax credit amount can be reliably estimated on the basis on calculations following HMRC guidelines on research and development tax credit claims.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Computer equipment	50% straight line
Furniture & fittings	15% - 33% straight line
Leasehold improvements	Lease period
Machinery & equipment	30% straight line
Other tangible assets	15% straight line
Vehicles & Aircrafts	25% - 33% straight line

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Capitalised development costs only commence amortisation once commercial mechanisms commence.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Trademarks, patents & licenses	10% straight line
Software	50% straight line

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

The golden share held in investments is recognised at cost less impairment. Due to the the investment not having a listed share price in an active market, the most reliable estimate of the fair value is through the cost less impairment method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call 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 change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

SAFE Agreements

The SAFE agreements (Simple Agreement for Future Equity) held within creditors meet the definition of a liability as per FRS 102 22.3. The structure of the agreements does not oblige the company to provide a fixed number of shares. Instead, the obligation lies on a potentially variable number of shares to be provided in exchange for a fixed amount of cash. In this case, this does not meet the criteria for equity and instead meets the criteria to be recognised as a liability (22.3).

The value of the SAFE agreements are initially measured at cost less impairment and revalued at the end of each reporting period according to exchange rate fluctuations when translating from the original currency to the reporting currency. Any changes in fair value are recorded in the profit and loss account.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

3 Turnover

The analysis of the group's Turnover for the year from continuing operations is as follows:

	2023	2022
	€	€
Grants received	1,197,130	1,140,245
Other revenue	810,179	29,721
	<u>2,007,309</u>	<u>1,169,966</u>

4 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2023	2022
	€	€
Fair value adjustment of SAFE agreements	<u>(30,881,286)</u>	<u>-</u>

5 Operating loss

Arrived at after charging/(crediting)

	2023	2022
	€	€
Depreciation expense	611,384	169,723
Amortisation expense	342	-
Research and development cost	233,167	546,717
Operating lease expense - plant and machinery	<u>12,569</u>	<u>2,369</u>

6 Other interest receivable and similar income

	2023	2022
	€	€
Other finance income	<u>81,391</u>	<u>82</u>

7 Interest payable and similar expenses

	2023	2022
	€	€
Interest expense on other finance liabilities	1,923	2,364
Foreign exchange (gains)/losses	656,906	518,135
	<u>658,829</u>	<u>520,499</u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2023	2022
	€	€
Wages and salaries	4,245,665	2,164,037
Social security costs	554,242	646,447
Other short-term employee benefits	219,287	142,413
Pension costs, defined contribution scheme	158,849	68,330
Other employee expense	35,762	26,412
	<u>5,213,805</u>	<u>3,047,639</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Administration and support	30	41
Research and development	105	119
Sales, marketing and distribution	8	13
Other departments	8	8
	<u>151</u>	<u>181</u>

9 Auditors' remuneration

	2023	2022
	€	€
Audit of these financial statements	<u>55,567</u>	<u>-</u>

10 Taxation

Tax charged/(credited) in the consolidated profit and loss account

	2023	2022
	€	€
Current taxation		
UK corporation tax	(252,988)	(981,402)
Bulgarian corporation tax	90,796	-
Tax receipt in the income statement	<u>(162,192)</u>	<u>(981,402)</u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

11 Intangible assets

Group

	Trademarks, patents and licenses €	Software €	Development costs €	Total €
Cost or valuation				
At 1 January 2023	-	238,460	3,783,396	4,021,856
Additions acquired separately	152,749	127,518	3,409,430	3,689,697
At 31 December 2023	<u>152,749</u>	<u>365,978</u>	<u>7,192,826</u>	<u>7,711,553</u>
Amortisation				
At 1 January 2023	-	35,248	-	35,248
Amortisation charge	342	156,081	-	156,423
At 31 December 2023	<u>342</u>	<u>191,329</u>	<u>-</u>	<u>191,671</u>
Carrying amount				
At 31 December 2023	<u>152,407</u>	<u>174,649</u>	<u>7,192,826</u>	<u>7,519,882</u>
At 31 December 2022	<u>-</u>	<u>203,212</u>	<u>3,783,396</u>	<u>3,986,608</u>

The aggregate amount of development expenditure recognised as an expense during the period is €233,167 (2022 - €546,717).

Company

	Trademarks, patents and licenses €	Development costs €	Total €
Cost or valuation			
At 1 January 2023	-	3,783,396	3,783,396
Additions acquired separately	152,749	3,314,858	3,467,607
Foreign exchange movements	-	87,900	87,900
At 31 December 2023	<u>152,749</u>	<u>7,186,154</u>	<u>7,338,903</u>
Amortisation			
Amortisation charge	342	-	342
At 31 December 2023	<u>342</u>	<u>-</u>	<u>342</u>
Carrying amount			
At 31 December 2023	<u>152,407</u>	<u>7,186,154</u>	<u>7,338,561</u>
At 31 December 2022	<u>-</u>	<u>3,783,396</u>	<u>3,783,396</u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

12 Tangible assets

Group

	Leasehold improvements €	Furniture, fittings & computer equipment €	Aircrafts and vehicles €	Machinery and equipment €	Total €
Cost or valuation					
At 1 January 2023	475,262	149,600	112,532	355,652	1,093,046
Additions	45,160	120,580	465,917	710,350	1,342,007
Disposals	-	-	-	(9,322)	(9,322)
At 31 December 2023	<u>520,422</u>	<u>270,180</u>	<u>578,449</u>	<u>1,056,680</u>	<u>2,425,731</u>
Depreciation					
At 1 January 2023	46,394	40,903	10,469	78,952	176,718
Charge for the year	163,120	84,530	48,592	149,799	446,041
At 31 December 2023	<u>209,514</u>	<u>125,433</u>	<u>59,061</u>	<u>228,751</u>	<u>622,759</u>
Carrying amount					
At 31 December 2023	<u>310,908</u>	<u>144,747</u>	<u>519,388</u>	<u>827,929</u>	<u>1,802,972</u>
At 31 December 2022	<u>428,868</u>	<u>108,697</u>	<u>102,063</u>	<u>276,700</u>	<u>916,328</u>

Included within the net book value of land and buildings above is €310,908 (2022 - €428,868) in respect of short leasehold land and buildings.

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

Company

	Furniture, fittings and equipment	Total
	€	€
Cost or valuation		
At 1 January 2023	3,101	3,101
Additions	44,399	44,399
Foreign exchange movements	72	72
At 31 December 2023	<u>47,572</u>	<u>47,572</u>
Depreciation		
At 1 January 2023	167	167
Charge for the year	11,423	11,423
Foreign exchange movements	4	4
At 31 December 2023	<u>11,594</u>	<u>11,594</u>
Carrying amount		
At 31 December 2023	<u>35,978</u>	<u>35,978</u>
At 31 December 2022	<u>2,934</u>	<u>2,934</u>

13 Investments

Company

	2023	2022
	€	€
Investments in subsidiaries	<u>1,948</u>	<u>1,948</u>
Subsidiaries		€
Cost or valuation		
At 1 January 2023		<u>1,948</u>
Provision		
Carrying amount		
At 31 December 2023		<u>1,948</u>
At 31 December 2022		<u>1,948</u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2023	2022
Subsidiary undertakings				
Dronamics Ltd	4 Iskar Str, Sofia, 1000 Bulgaria	Ordinary shares	100%	100%
Dronamics Pty Ltd	Australia Pacifica Chartered Accountants Level 1 280-286 Sheridan Street QLD 4870 Australia	Ordinary shares	100%	100%
Dronamics Limited	Airlines 77 Camden Street, Lower Dublin, D02 XE80 Ireland	Ordinary shares	100%	100%
Dronamics Inc.	Airlines 100-535 Thurlow Street Office 1899 Vancouver, BC V6E 3L2 Canada	Ordinary shares	100%	100%
Dronamics Holdings Limited	Europe Office 14, 187 Wine Pressers Wharf, Marsa MRS 1912 Malta	Ordinary shares	100%	100%
Dronamics inc.	Suite 206, 651 N Broad Street, Middletown DE, 19709 USA	Ordinary shares	100%	100%

Subsidiary undertakings

Dronamics Ltd

The principal activity of Dronamics Ltd is that of the R&D work of the group.

Dronamics Australia Pty Ltd

The principal activity of Dronamics Australia Pty Ltd is to serve as a holding company of the local airline operators.

Dronamics Airlines Limited

The principal activity of Dronamics Airlines Limited is to serve as the local airline operators..

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

Dronamics Airlines Inc.

The principal activity of Dronamics Airlines Inc. is to serve as the local airline operators.

Dronamics Europe Holdings Limited

The principal activity of Dronamics Europe Holdings Limited is to serve as the holding company of the local airline operators.

Dronamics inc.

The principal activity of Dronamics inc. is to serve as the local airline operators.

14 Other financial assets

Group

	Other investments €	Total €
Non-current financial assets		
Cost or valuation		
At 1 January 2023	24,311	24,311
FX adjustments	<u>565</u>	<u>565</u>
At 31 December 2023	<u>24,876</u>	<u>24,876</u>
Carrying amount		
At 31 December 2023	<u><u>24,876</u></u>	<u><u>24,876</u></u>

In the prior year, the Company transferred the ownership of a golden share in Dronamics Capital AD. The transfer of this golden share removes the Company's voting rights but they retain all future economic benefits of the investment.

Company

	Other investments €	Total €
Non-current financial assets		
Cost or valuation		
At 1 January 2023	24,311	24,311
FX adjustments	<u>565</u>	<u>565</u>
At 31 December 2023	<u>24,876</u>	<u>24,876</u>
Carrying amount		
At 31 December 2023	<u><u>24,876</u></u>	<u><u>24,876</u></u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

In the prior year, the Company transferred the ownership of a golden share in Dronamics Capital AD. The transfer of this golden share removes the Company's voting rights but they retain all future economic benefits of the investment.

15 Debtors

	Note	Group		Company	
		2023	2022	2023	2022
Current		€	€	€	€
Amounts owed by related parties		-	-	3,858,660	1,065,962
Other debtors		794,356	712,811	382,957	83,503
Prepayments		232,597	23,704	184,137	1,308,106
Accrued income		-	1,257	-	-
Income tax asset	10	<u>1,269,396</u>	<u>990,767</u>	<u>1,287,490</u>	<u>997,008</u>
		<u>2,296,349</u>	<u>1,728,539</u>	<u>5,713,244</u>	<u>3,454,579</u>

16 Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash at bank	<u>2,009,588</u>	<u>3,139,615</u>	<u>1,451,637</u>	<u>1,510,037</u>

17 Creditors

	Note	Group		Company	
		2023	2022	2023	2022
		€	€	€	€
Due within one year					
SAFE Agreements		67,416,740	19,485,779	67,416,740	19,485,779
Loans and borrowings	18	56,586	37,543	-	-
Trade creditors		932,803	617,457	542,954	450,254
Social security and other taxes		163,228	168,624	69,737	35,599
Outstanding defined contribution pension costs		21,618	17,582	11,230	5,459
Other payables		25,271	37,095	4,998	5,375
Accruals		440,444	229,509	312,313	32,718
Deferred income		-	1,062,016	-	-
		<u>69,056,690</u>	<u>21,655,605</u>	<u>68,357,972</u>	<u>20,015,184</u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

18 Loans and borrowings

Current loans and borrowings

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Finance lease liabilities	<u>56,586</u>	<u>37,543</u>	<u>-</u>	<u>-</u>
	<u><u>56,586</u></u>	<u><u>37,543</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

19 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to €158,849 (2022 - €68,330).

Contributions totalling €21,618 (2022 - €17,582) were payable to the scheme at the end of the year and are included in creditors.

20 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	No.	€	No.	€
Ordinary shares	<u>126,200,000</u>	<u>1,403</u>	<u>126,200,000</u>	<u>1,403</u>

As at 31 December 2023, there are a total of 24,218,912 options granted. These options are exercisable at liquidation or a secondary financing event.

The value of the options as at 31 December 2023 can not be reliably measured due to no financing events having occurred. As such, as at 31 December 2023 there is no reliable data for the basis of the charge.

21 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2023	2022
	€	€
Not later than one year	452,997	335,526
Later than one year and not later than five years	<u>280,820</u>	<u>389,942</u>
	<u><u>733,817</u></u>	<u><u>725,468</u></u>

Dronamics Global Ltd

Notes to the Financial Statements for the Year Ended 31 December 2023

22 Analysis of changes in net debt

Group

	At 1 January 2023 €	Financing cash flows €	At 31 December 2023 €
Cash and cash equivalents			
Cash	3,139,615	(1,130,027)	2,009,588
Borrowings			
Derivatives	<u>19,523,322</u>	<u>47,950,004</u>	<u>67,473,326</u>
	<u>22,662,937</u>	<u>46,819,977</u>	<u>69,482,914</u>

23 Parent and ultimate parent undertaking

No controlling party has been identified.

24 Subsequent events

Subsequent to the balance sheet date but before the approval of these financial statements, further investment of EUR 7.5 million was obtained in December 2024 to provide funding for continued development and for the Group to meet liabilities as they fall due.