

Maestrano Group plc

Company number 11098701 (England and Wales)

Interim Report - 31 December 2019

Maestrano Group plc
Contents
31 December 2019

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Maestrano Group plc
Corporate directory
31 December 2019

| | | |
|-------------------|---|--|
| Directors | Ian Buddery Andrew Pearson John Davis Jonathan Macleod Nicholas Smith | Non-Executive Chairman Executive Director and Chief Executive Officer Independent Non-Executive Director Independent Non-Executive Director Executive Director and Vice President Global Sales |
| Company secretary | Craig Holden | |
| Company number | 11098701 (England and Wales) | |
| Registered office | 10 John Street London WC1N 2EB United Kingdom | |
| Head office | 2/2 Frost Drive Mayfield West NSW 2304 Australia | |
| Auditor | Oury Clark Chartered Accountants Herschel House 58 Herschel Street Slough, Berkshire SL1 1PG United Kingdom | |
| Solicitors | Memery Crystal LLP 165 Fleet Street London EC4A 2DY United Kingdom | |
| Share register | Computershare Investor Services plc The Pavilions, Bridgwater Road Bristol BS13 8AE United Kingdom | |
| Nominated adviser | Grant Thornton UK LLP 30 Finsbury Square London EC2 1AG United Kingdom | |
| Corporate broker | Arden Partners plc 125 Old Broad Street London EC2N 1AR United Kingdom | |
| Website | www.maestrano.com | |

Maestrano Group plc
Directors Report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity referred to hereafter as the 'Group') consisting of Maestrano Group plc (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2019.

Directors

The following persons were directors of Maestrano Group plc during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

| | |
|--|--|
| Ian Buddery | Non-Executive Chairman |
| Andrew Pearson | Executive Director and Chief Executive Officer |
| John Davis | Independent Non-Executive Director |
| Jonathan Macleod | Independent Non-Executive Director |
| Stephane Ibos (resigned 30 December 2019) | Non-Executive Director |
| Craig Holden (resigned 30 August 2019) | Executive Director and Chief Financial Officer |
| Nicholas Smith (appointed 6 November 2019) | Executive Director and Vice President Global Sales |

Principal activities

Maestrano Group plc is a United Kingdom ('UK') incorporated software company with operations in Australia (main country of operation) and the UK. The Group offers a patented cloud-based platform for master data management and business analytics, together with specialist hardware and software for capturing, analysing and reporting on large datasets within the transport and infrastructure sectors, employing sophisticated artificial intelligence algorithms.

Review of operations

The loss for the Group after providing for income tax and non-controlling interest amounted to £384,643 (31 December 2018: £1,302,666).

Refer to the review of operations by the Chief Executive Officer and financial review by the Chair of the Audit Committee that follows this report for further commentary on the results.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Going concern

The Group has considerable financial resources together with activities across different geographic areas. The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate with the current working capital. The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational

Maestrano Group plc
Directors Report
31 December 2019

existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Significant changes in the state of affairs

On October 31, 2019 the Group completed the acquisition of Aights Holdings Pty, which trades under the names Corridor.ai, NextCore and Aights. These businesses have subsequently been integrated into the company's operations.

Charitable and political donations

No charitable or political donations were made during the financial year.

Substantial shareholdings

There were no substantial shareholders in the Company as at 31 December 2019.

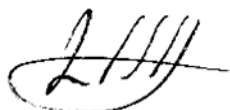
Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Ian Buddery
Chairman
19February 2020

Maestrano Group plc

Review of operations by the Chief Executive Officer 31 December 2019

Maestrano Group Plc ("the Group") provided a Master Data Management Platform that enabled medium to large enterprises to offer a differentiated service to their SMB customers, and until November 2019 had generated the majority of our revenue from one large US bank customer. That contract ended during the half year ended 31 December 2019, and accordingly no further revenue will be generated.

After evaluating other acquisition opportunities, the Company decided to acquire Airsight Holdings Pty and following a shareholder vote subsequently completed the acquisition on 31 October 2019. The Group now offers a patented cloud-based platform for master data management and business analytics, together with specialist hardware and software for capturing, analysing and reporting on large datasets within the transport and infrastructure sectors, employing sophisticated artificial intelligence algorithms.

Overview of results

We have been able to make good progress throughout the subsequent period integrating operations and preparing a new operating model. The Company achieved a significant new contract in November 2019, and also was able to announce two further major contracts wins immediately following the end of the period to end 31 December 2019.

Revenue for the half year comprised the final revenues emanating from the major US bank customers together with the first two months of revenues contribute from the Airsight businesses:

| | Six Months to 31 December 2019 £ '000 | Six Months to 31 December 2018 £ '000 | Change |
|--|--|--|-------------|
| Enterprise implementation | 196 | 405 | -52% |
| Enterprise subscriber | 4 | 39 | -91% |
| Airsight revenues (November & December only) | 119 | 0 | |
| Total Revenue | 319 | 444 | -28% |

Underlying EBITDA for the period was a loss of £0.30 million.

Ongoing operations

The Company now operates from offices in Newcastle, New South Wales in Australia, has staff in the UK, and currently has customers in Australia, New Zealand, Japan and other Asian countries. The company has reduced headcount and expenses to conserve cash and is investing in a renewed growth strategy following the Airsight acquisition. As of 31 December 2019, the Company had cash and receivables totalling £2.07m.

Outlook

The Company has spent significant time integrating operations and preparing for future opportunities and is now looking forward to progressing these in 2020 and beyond. Although the Company is not currently generating revenues from its banking, accounting and distribution verticals, it is looking at a number of options to rebuild its activities in these segments. In addition, the Airsight business gives the Company new technologies and new markets in infrastructure and transportation. The staff are energised by the progress currently being made and the prospects for growth in the future.



Andrew Pearson

Chief Executive Officer

19 February 2020

Maestrano Group plc
Review of operations by the Audit Committee Chair
31 December 2019

As noted above this period has been focused on integrating the acquired business and preparing an operating model for ongoing operations.

A summary of the Group's results are as follows:

| | Six Months to 31 December 2019 £ '000 | Six Months to 31 December 2018 £ '000 | Change |
|---|--|--|---------------|
| Enterprise implementation | 196 | 405 | -52% |
| Enterprise subscriber | 4 | 39 | -91% |
| Airsight (from 1 November) | 119 | 0 | |
| Total Revenue | 319 | 444 | -28% |
| Direct Cost of sale | 103 | 158 | -35% |
| Gross Margin | 216 | 286 | -24% |
| Employee expenses | 445 | 1,399 | -68% |
| Occupancy expenses | 107 | 118 | -9% |
| Professional Fees | 286 | 290 | -1% |
| Other operational expenses | 96 | 151 | -36% |
| Total expenses | 934 | 1,958 | -53% |
| Other income | 338 | 370 | -9% |
| Interest income | 1 | 6 | -91% |
| EBITDA (earnings before interest expenses, taxation, depreciation and amortisation adjusted for other one-off items) | (380) | (1,296) | 71% |
| Depreciation | 4 | 7 | -43% |
| Finance Costs | 1 | 0 | |
| Other non-operating costs | | 0 | |
| Loss before income tax expenses | (385) | (1,303) | 70% |
| Income tax | | 0 | |
| Loss after income tax expense | (385) | (1,303) | 70% |

The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Maestrano Group plc
Review of operations by the Audit Committee Chair
31 December 2019

Revenue

Total revenue for the period decreased by 28% to £0.32 million. The reduction of revenue following completion of implementation projects has been compensated by revenue from activities by Airsight Holdings for the two months since acquisition.

Operating expenses

Overall operating, restructuring, and acquisition expenses decreased by £1.03 million compared to the previous corresponding period (“pcp”) primarily as a result of decreases in staff costs and property rent. Staff expenses decreased £0.95 million to £0.45 million as the Group reduced its Maestrano staffing and offset by the inclusion of Airsight staff from November 2019.

Other income derived from government research and development grants received in the period decreased slightly to £0.34 million compared to £0.37 million in the pcp. This income is primarily received in the first-half of each financial year.

Underlying EBITDA for the period was a loss of £0.30 million due to the reduced costs noted above.

Finance and other non-operating expenditure were immaterial for the period.

The loss after tax for the period was £0.38 million an improvement of 71% compared to pcp.


Balance sheet, cash and working capital

The Group balance sheet remained strong with cash resources of £1.95 million as at 31 December 2019. Cash outflow from operating activities was £0.27 million.

The operating cash flow was negatively impacted by the trading for the period as well as a decrease in Maestrano liabilities (payment of Trade and other payables).

Underlying basis of EBITDA

The Group manages its operations by looking at the underlying EBITDA which excludes the impact of a number of one-off and non-cash items as this, in the Board’s opinion, provides a more representative measure of the Group’s performance. A reconciliation between the reported loss before tax and underlying EBITDA is included at note 6 to the financial statements.



Jonathan Macleod
Chair of Board Audit Committee
19 February 2020

Maestrano Group plc
Consolidated statements of profit and loss and other comprehensive income
For the period ended 31 December 2019

| | Note | Unaudited six months ended 31 December | | Audited year ended 30 June |
|--|------|---|--------------------|-------------------------------|
| | | 2019 | 2018 | 2019 |
| | | £ | £ | £ |
| Revenue from contracts with customers | 4 | 199,475 | 444,046 | 905,400 |
| Airsight (from 1 November) | | 119,292 | - | |
| Total Revenue | | 318,767 | 444,046 | 905,400 |
| Direct Cost of sale | | (102,669) | (158,030) | (376,637) |
| Gross Margin | | 216,099 | 286,017 | 528,763 |
| Employee expenses | | (445,375) | (1,398,655) | (2,510,810) |
| Occupancy expenses | | (107,090) | (118,485) | (235,721) |
| Professional Fees | | (285,979) | (290,057) | (534,768) |
| Other operational expenses | | (96,068) | (150,788) | (346,765) |
| Total expenses | | (934,513) | (1,957,985) | (3,628,064) |
| Other income | 5 | 337,798 | 370,190 | 413,649 |
| Interest income | | 553 | 5,656 | 29,286 |
| Underlying EBITDA (earnings before interest expenses, taxation, depreciation and amortisation adjusted for other one-off items) | | (380,063) | (1,296,122) | (2,656,366) |
| Depreciation | | (4,016) | (6,544) | (35,056) |
| Finance Costs | | (564) | 0 | 0 |
| Other non-operating costs | | 0 | 0 | 0 |
| Loss before income tax expenses | | (384,643) | (1,302,666) | (2,691,422) |
| Income tax | | | 0 | 0 |
| Loss after income tax expense for the period | | (384,643) | (1,302,666) | (2,691,422) |
| Other comprehensive income | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Foreign currency translation | | (13,659) | (12,723) | (11,668) |
| Total comprehensive income for the period | | <u>(398,302)</u> | <u>(1,315,389)</u> | <u>(2,703,090)</u> |
| Loss for the period attributable to: | | | | |
| Non-controlling interest | | 0 | 0 | |
| Owners of Maestrano Group plc | | (384,643) | (1,302,666) | (2,679,754) |
| | | <u>(384,643)</u> | <u>(1,302,666)</u> | <u>(2,679,754)</u> |
| Total comprehensive income for the period is attributable to: | | | | |
| Non-controlling interest | | 0 | 0 | 0 |
| Owners of Maestrano Group plc | | (398,302) | (1,315,389) | (2,691,422) |
| | | <u>(398,302)</u> | <u>(1,315,389)</u> | <u>(2,691,422)</u> |
| Basic earnings per share (pence per share) | 15 | (0.26) | (1.63) | (3.35) |
| Diluted earnings per share (pence per share) | 15 | (0.26) | (1.63) | (3.35) |

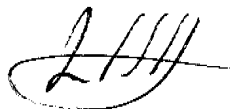
The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Maestrano Group plc
Consolidated balance sheet as at 31 December 2019

| | Note | Unaudited | | Audited |
|---|------|-------------------------|-------------------------|-------------------------|
| | | December 31 | | June 30 |
| | | 2019 | 2018 | 2019 |
| | | £ | £ | £ |
| Assets | | | | |
| Non-current assets | | | | |
| Intangibles | | 1,049,272 | 8,496 | 0 |
| Lease Assets | | 202,538 | | |
| Property, plant & equipment | | 49,600 | 33,589 | 12,961 |
| Total non-current assets | | <u>1,301,411</u> | <u>42,085</u> | <u>12,961</u> |
| Current assets | | | | |
| Trade and other receivables | 7 | 116,974 | 172,964 | 492,785 |
| Contract assets | | 0 | 134,841 | 0 |
| Other | 8 | 47,589 | 144,310 | 61,873 |
| Cash and cash equivalents | | 1,947,940 | 3,764,770 | 2,247,201 |
| Total current assets | | <u>2,112,503</u> | <u>4,216,885</u> | <u>2,801,859</u> |
| Total Assets | | <u>3,413,913</u> | <u>4,258,970</u> | <u>2,814,820</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | 9 | 101,873 | 300,163 | 259,336 |
| Contract liabilities | | | 3,797 | 0 |
| Lease Liabilities | | 202,538 | | |
| Borrowings | | 31,059 | 0 | 0 |
| Employee benefits | | 122,574 | 82,134 | 65,275 |
| Income Tax | | 0 | 0 | |
| Total current liabilities | | <u>458,045</u> | <u>386,094</u> | <u>324,611</u> |
| Net assets/(liabilities) | | <u>2,955,869</u> | <u>3,872,876</u> | <u>2,490,209</u> |
| Equity | | | | |
| Share Capital | | 1,460,853 | 800,403 | 800,403 |
| Share premium account | | 7,781,194 | 7,583,057 | 7,583,057 |
| Other reserves | 10 | 2,156,240 | 2,170,102 | 2,164,523 |
| Accumulated losses | | <u>(8,442,418)</u> | <u>(6,680,686)</u> | <u>(8,057,774)</u> |
| Equity/(deficiency) attributable to the owners of Maestrano Group plc | | 2,955,869 | 3,872,876 | 2,490,209 |
| Non-controlling interest | | 0 | 0 | 0 |
| Total equity/(deficiency) | | <u>2,955,869</u> | <u>3,872,876</u> | <u>2,490,207</u> |

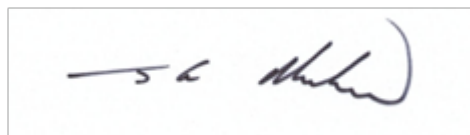
The above consolidated balance sheet should be read in conjunction with the accompanying notes

The interim financial statements of Maestrano Group plc (company number 1109701 (England and Wales)) were approved by the Board of Directors and authorised for issue on 19 February 2020. They were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'I. Buddery', written in a cursive style.

Ian Buddery
Chairman

19 February 2020

A handwritten signature in black ink, appearing to be 'Jonathan Macleod', written in a cursive style.

Jonathan Macleod
Director

Maestrano Group plc
Consolidated statements of changes in equity
For the period ended 31 December 2019

| Unaudited six months ended 31 December 2018 | Share Capital | Share premium account* | Other reserves | Accumulated Losses | Non Controlling Interest** | Total deficiency in equity |
|--|--------------------------|---------------------------------------|---------------------------|-------------------------------|---|---|
| | £ | £ | £ | £ | £ | £ |
| Balance at 1 July 2018 | 800,403 | 7,583,057 | 2,176,191 | (5,378,020) | 0 | 5,181,631 |
| Loss after income tax expense for the period | | | | (1,302,666) | 0 | (1,302,666) |
| Other comprehensive income for the period, net of tax | | | (12,723) | | | (12,723) |
| Total comprehensive income for the period | 0 | 0 | (12,723) | (1,302,666) | 0 | (1,315,389) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share-based payments (note 16) | | | 6,634 | | | 6,634 |
| Balance at 31 December 2018 | 800,403 | 7,583,057 | 2,170,102 | (6,680,686) | 0 | 3,872,876 |
| Unaudited six months ended 31 December 2019 | Share Capital | Share premium account* | Other reserves | Accumulated Losses | Non Controlling Interest** | Total deficiency in equity |
| | £ | £ | £ | £ | £ | £ |
| Balance at 1 July 2019 | 800,403 | 7,583,057 | 2,164,523 | (8,057,774) | 0 | 2,490,209 |
| Loss after income tax expense for the period | | | | (384,643) | 0 | (384,643) |
| Other comprehensive income for the period, net of tax | | | (13,659) | | | (13,659) |
| Total comprehensive income for the period | 0 | 0 | (13,659) | (384,643) | 0 | (398,302) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Acquisition Airsight Holdings | 660,450 | 198,135 | 0 | | | 858,585 |
| Share-based payments (note 16) | | | 5,411 | | | 5,411 |
| Balance at 31 December 2019 | 1,460,853 | 7,781,192 | 2,156,275 | (8,442,417) | 0 | 2,955,869 |

| Audited year ended 30 June 2019 | Share Capital | Share premium account* | Other reserves | Accumulated Losses | Non Controlling Interest | Total deficiency in equity |
|--|--------------------------|---------------------------------------|---------------------------|-------------------------------|---|---|
| | £ | £ | £ | £ | £ | £ |
| Balance at 1 July 2018 | 800,403 | 7,583,057 | 2,176,191 | (5,378,020) | 0 | 5,181,631 |
| Loss after income tax expense for the period | | | | (2,679,754) | 0 | (2,679,754) |
| Other comprehensive income for the period, net of tax | | | (11,668) | | | (11,668) |
| Total comprehensive income for the period | 0 | 0 | (11,668) | (2,679,754) | 0 | (2,691,422) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | |
| Share-based payments (note 16) | | | 0 | | | 0 |
| Balance at 30 June 2019 | <u>800,403</u> | <u>7,583,057</u> | <u>2,164,523</u> | <u>(8,057,774)</u> | <u>0</u> | <u>2,490,209</u> |

* The share premium account is used to recognise the difference between the issued share capital at nominal value and the capital received, net of transaction costs

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Maestrano Group plc
Consolidated statements of cash flows
For the period ended 31 December 2019

| | Unaudited six months ended December 31 | | Audited year ended June 30 |
|--|---|-------------|---------------------------------------|
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Cash flows from operating activities | | | |
| Loss before income tax expense for the period | (384,643) | (1,302,666) | (2,679,754) |
| Adjustments for: | | | |
| Depreciation and amortisation | 4,016 | 6,544 | 35,056 |
| Share-based payments | 5,411 | 6,634 | 0 |
| Foreign exchange differences | | (10,102) | (10,958) |
| Interest received | (553) | (5,656) | (29,286) |
| Interest unwind on convertible note | | | |
| Interest and other finance costs | | | |
| | (375,769) | (1,305,246) | (2,684,942) |
| Change in operating assets and liabilities: | | | |
| Decrease/(increase) in trade and other receivables | 427,729 | (22,558) | (342,379) |
| Decrease/(increase) in contract assets | 0 | (65,886) | 68,955 |
| Increase/(decrease) in lease assets | (202,538) | | |
| Decrease/(increase) in other operating assets | 40,073 | (35,240) | 47,196 |
| (Decrease)/Increase in trade and other payables | (419,559) | 50,784 | 9,956 |
| Decrease/(increase) in contract liabilities | 0 | (24,007) | (27,804) |
| Increase/(decrease) in lease liabilities | 202,538 | | |
| Increase (decrease) in employee benefits | 57,299 | (9,935) | (26,794) |
| | (270,227) | (1,412,088) | (2,955,812) |
| Interest Received | 553 | 5,656 | 29,286 |
| Interest and other finance costs paid | | 0 | 0 |
| Income taxes paid | 0 | (30,612) | (30,612) |
| Net cash used in operating activities | (269,674) | (1,437,044) | (2,957,138) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | (12,684) | (31,815) | (29,337) |
| Net cash used in investing activities | (12,684) | (31,815) | (29,337) |
| Cash flows from financing activities | | | |
| Proceeds from sale of shares | | 0 | 0 |
| Repayment lease arrangements | (16,903) | | |
| Net cash from financing activities | (16,903) | 0 | 0 |
| Net increase/(decrease) in cash and cash equivalents | (299,261) | (1,468,859) | (2,986,475) |
| Cash and cash equivalents at the beginning of the financial period | 2,247,201 | 5,236,040 | 5,236,040 |
| Effects of exchange rate changes on cash and cash equivalents | | (2,411) | (2,364) |
| Cash and cash equivalents at the end of the financial period | 1,947,940 | 3,764,770 | 2,247,201 |

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes

Maestrano Group plc
Notes to the consolidated financial statements
For the period ended 31 December 2019

Note 1. General information

The financial statements cover Maestrano Group plc ('Company') as a consolidated entity consisting of Maestrano Group plc and the entities it controlled at the end of, or during, the period (referred to as the 'Group'). The financial statements are presented in Pound Sterling, which is Maestrano Group plc's functional and presentation currency.

The Company was incorporated on 6 December 2017 as a private company, Maestrano Group Limited. On 11 May 2018, the Company converted to a public company, Maestrano Group plc and on 30 May 2018 was admitted onto the Alternative Investment Market ('AIM'). On 19 April 2018, as part of a group reorganisation, the Company acquired 100% of the ordinary shares of Maestrano Pty Ltd from the existing shareholders and became the immediate and ultimate parent of the Group. On 31 October 2019, Maestrano Group plc acquired 100% of the shares in Airsight Holdings Pty Limited, an Australian based company.

Maestrano Group plc is a listed public company limited by shares, incorporated and domiciled in England and Wales. Its registered office and principal place of business are:

Registered office

10 John Street
 London WC1N 2EB
 United Kingdom

Principal place of business

2/2 Frost Drive
 Mayfield West NSW 2304
 Australia

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements. The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 February 2019. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with International Accounting Standards IAS 34 'Interim Financial Reporting'.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Maestrano Group plc
Notes to the consolidated financial statements
For the period ended 31 December 2019

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Group:

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

IFRS 9 and IFRS 15 were adopted using the full retrospective approach. The impact of adoption on opening accumulated losses as at the transition date of 1 July 2017 was £nil. There has been no

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material impact on adoption of IFRS 9 and IFRS 15, other than the changes to disclosure as required by these standards, which includes:

- reclassifying accrued revenue as contingent assets;
- reclassifying deferred revenue as contingent liabilities; and
- showing interest income on the face of profit or loss.

IFRS 16 Leases

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value.

(a) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership.

Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, heavy equipment and automobiles, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions.

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The right-of-use assets were measured as follows:

- (a) Office space: Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- (b) All other leases: the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 31 December 2019 relating to Airsight leases:

| | |
|------------------------------------|-------------|
| Right-of-use assets | GBP 202,538 |
| Deferred tax assets | 0 |
| Lease liabilities | (202,538) |
| Net reduction in retained earnings | 0 |

(b) Significant Accounting Policies subsequent to Transition

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

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Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

Going concern

The financial statements have been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future. In assessing whether the going concern assumption is appropriate, the directors have considered the Group's existing working capital and are of the opinion that the Group has adequate resources to undertake its planned program of activities for the 12 months from the date of approval of these financial statements. Further details of the directors' considerations in relation to going concern are included in the directors' report.

Note 3. Operating segments

Identification of reportable operating segments

The Group operates in one segment being provision of data integration and analytic services. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The operating segment information is the same information as provided throughout the consolidated financial statements and are therefore not duplicated.

Note 4. Revenue from contracts with customers

| | Unaudited six months | | Audited year |
|---------------------------------------|-----------------------------|----------------|---------------------|
| | ended December 31 | | ended |
| | 2019 | 2018 | June30 |
| | £ | £ | £ |
| Enterprise implementation | 195,919 | 309,129 | 851,699 |
| Enterprise subscriber & services | 3,556 | 134,917 | 53,701 |
| Airsight Holdings | 119,292 | | |
| Revenue from contracts with customers | <u>318,767</u> | <u>444,046</u> | <u>905,400</u> |

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Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| <i>Geographical regions</i> | Unaudited six months | | Audited year |
|-----------------------------|-----------------------------|----------------|---------------------|
| | ended December 31 | | ended June |
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| United Kingdom | - | - | - |
| Australia | 318,767 | 181,055 | 325,174 |
| United States of America | - | 261,472 | 578,707 |
| Middle East and Africa | - | 1,519 | 1,519 |
| | <u>318,767</u> | <u>444,046</u> | <u>905,400</u> |

Enterprise implementation and enterprise subscriber income are recognised as revenue over time as opposed to a point in time. Airsight revenue is recognised when work has been completed and invoiced.

Note 5. Other income

| | Unaudited six months | | Audited year |
|-------------------------------|-----------------------------|----------------|---------------------|
| | ended December 31 | | ended June |
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Government grants and rebates | 337,798 | 370,190 | 425,317 |
| | <u>337,798</u> | <u>370,190</u> | <u>425,317</u> |

Government grants and rebates predominantly relates to research and development rebates.

Note 6. EBITDA reconciliation (earnings before interest expense, taxation, depreciation and amortisation)

| | Unaudited six months | | Audited year |
|------------------------------------|-----------------------------|--------------------|----------------------|
| | ended December 31 | | ended June 30 |
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| EBITDA reconciliation | | | |
| Loss before income tax | (380,643) | (1,302,666) | (2,679,754) |
| Add: Interest expense | 564 | 0 | 0 |
| Add: Depreciation and amortisation | 4,016 | 6,544 | 35,056 |
| EBITDA | <u>(384,643)</u> | <u>(1,296,122)</u> | <u>(2,644,698)</u> |

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| | Unaudited six months ended December 31 | | Audited year ended June 30 |
|---|---|--------------------|---------------------------------------|
| | 2019 | 2018 | 2019 |
| Underlying EBITDA reconciliation | £ | £ | £ |
| EBITDA | (384,643) | (1,296,122) | (2,644,698) |
| IPO | 0 | 0 | 73,063 |
| Restructuring costs and Enterprise Investment Scheme set-up costs; acquisition costs | 84,990 | 0 | |
| Underlying EBITDA | <u>(299,653)</u> | <u>(1,296,122)</u> | <u>(2,571,635)</u> |

The financial statements include both the statutory financial statements and additional performance measures of EBITDA and Underlying EBITDA. The directors believe these additional measures provide useful information on the underlying trend in operational performance going forward without these unusual and other one-off items.

| Note 7. Current assets - trade and other receivables | Unaudited six months ended December 31 | | Audited year ended June 30 |
|---|---|----------------|---------------------------------------|
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Trade receivables | 116,974 | 131,714 | 479,355 |
| Other receivables | 0 | 41,250 | 13,430 |
| | <u>116,974</u> | <u>172,964</u> | <u>492,785</u> |

| Note 8. Current assets - other | Unaudited six months ended December 31 | | Audited year ended June 30 |
|---------------------------------------|---|----------------|---------------------------------------|
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Prepayments | 14,865 | 71,512 | 61,873 |
| Staff Loans | | 72,798 | 0 |
| Inventory | 32,723 | 0 | 0 |
| | <u>47,589</u> | <u>144,310</u> | <u>61,873</u> |

Loans to former Maestrano staff (who were retrenched as a result of the change in business operations) were written off at 31.12.2019 in lieu of compensation payments.

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Note 9. Current liabilities - trade and other payables

| | Unaudited six months ended December 31 | | Audited year ended June 30 |
|------------------|---|----------------|-------------------------------|
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Trade payables | 44,893 | 62,792 | 65,352 |
| Accrued expenses | 106,323 | 159,945 | 190,656 |
| Other payables | (49,344) | 77,426 | 3,328 |
| | <u>101,873</u> | <u>300,163</u> | <u>259,336</u> |

Note 10. Equity - other reserves

| | Unaudited six months ended December 31 | | Audited year ended June 30 |
|--------------------------------|---|------------------|----------------------------------|
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Foreign currency reserve | 260,989 | 273,628 | 274,683 |
| Share-based payments reserve | 5,411 | 6,634 | 0 |
| Capital reorganisation reserve | 1,889,840 | 1,889,840 | 1,889,840 |
| | <u>2,156,240</u> | <u>2,170,102</u> | <u>2,164,523</u> |

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Unaudited six months ended 31 December

| | Foreign Currency | Share-based payments | Capital reorganisation | Total |
|------------------------------|---------------------|-------------------------|---------------------------|------------------|
| | £ | £ | £ | £ |
| Balance as at 1 July 2019 | 274,683 | - | 1,889,840 | 2,164,523 |
| Foreign currency translation | (13,694) | - | - | (13,694) |
| Share-based payment | 0 | 5,411 | - | 5,411 |
| Balance at 31 December 2019 | <u>260,989</u> | <u>5,411</u> | <u>1,889,840</u> | <u>2,156,240</u> |

Note 11. Equity – dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 12. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

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The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 13. Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2019, 30 June 2019 and 31 December 2018.

Note 14. Related party transactions

Parent entity

The parent entity and ultimate parent entity is Maestrano Group plc. There is no ultimate controlling party.

Transactions with related parties

There were no transactions with related parties during the current and previous financial period.

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Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 15. Earnings per share

| | Unaudited six months | | Audited year |
|---|-----------------------------|---------------|---------------------|
| | ended December 31 | | ended June |
| | 2019 | 2018 | 2019 |
| | £ | £ | £ |
| Loss after income tax | (384,643) | (1,302,666) | (2,679,754) |
| Non-controlling interest | | 0 | |
| Loss after income tax attributable to the owners of Maestrano Group plc | (384,632) | (1,302,666) | (2,679,754) |
| | Number | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 146,085,369 | 80,040,331 | 80,040,331 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 146,085,369 | 80,040,331 | 80,040,331 |

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| | Pence | Pence | Pence |
|----------------------------|--------|--------|--------|
| Basic earnings per share | (0.26) | (1.63) | (3.35) |
| Diluted earnings per share | (0.26) | (1.63) | (3.35) |

Options and convertible notes have not been included in the diluted earnings per share as they are anti-dilutive

Note 16. Share-based payments

A share option plan has been established by the Group, whereby the Group may, at the discretion of the Board of Directors, grant options over the ordinary shares in the Company to certain key management personnel and staff of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

All options granted previously were forfeited or cancelled by June 2019

Set out below are summaries of options granted currently under the plan:
2019

| Grant date | Expiry date | Exercise price | Balance at the start of the period | Granted | Exercised | Expired/forfeited/other | Balance at the end of the period |
|------------|-------------|----------------|------------------------------------|-----------|-----------|-------------------------|----------------------------------|
| 1/07/2019 | 30/06/2021 | £ 0.0130 | 0 | 5,082,222 | - | - | 5,082,222 |

For the options granted during the current financial period, the valuation model inputs used to determine the fair value at the grant time, are as follows:

| Grant Date | Expiry Date | Share price at grant date | Exercise Price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 1/07/2019 | 30/06/2021 | £ 0.0138 | £ 0.0130 | 100% | 0 | 2.90% | £ 0.005 |

The share-based payment expense during the financial period for this plan is £ 5,411

Note 17. Events after the reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Attachment 1

Pro forma adjustments to the statutory income statement

Table 1 below sets out the adjustment to the Statutory Results for 2018 and 2019 to primarily reflect the acquisitions that Maestrano Group Limited has made since 1 July 2019 as if they had occurred as at 1 July 2019

These adjustments are summarised below:

Table 1 – Pro forma adjustments to the consolidated income statements for the Six months ended 31 December 2018 and 31 December 2019

| | Six Months to 31 December 2019 | Six Months to 31 December 2018 |
|---|---|---|
| | £ | £ |
| Enterprise implementation | 195,919 | 309,129 |
| Enterprise services & hosting | 3,556 | 134,917 |
| Airsight | 952,577 | 310,681 |
| Total Revenue | 1,152,052 | 754,727 |
| Direct Cost of sale | 235,322 | 425,125 |
| Gross Margin | 916,730 | 329,602 |
| Employee expenses | 604,961 | 1,506,721 |
| Occupancy expenses | 124,669 | 148,772 |
| Professional Fees | 314,614 | 324,116 |
| Other operational expenses | 181,554 | 222,017 |
| Total expenses | 1,225,797 | 2,201,625 |
| Other income | 337,798 | 370,190 |
| Interest income | 553 | 5,656 |
| EBITDA (earnings before interest expenses, taxation, depreciation and amortisation adjusted for other one-off items) | 29,284 | 1,496,177 |
| Depreciation | 7,722 | 6,544 |
| Finance Costs | 3,124 | - |
| Other non-operating costs | - | - |
| | - | - |
| Loss before income tax expenses | 18,438 | 1,502,721 |
| Income tax | - | - |
| | - | - |
| Loss after income tax expense | 18,438 | 1,502,721 |