Maistro Plc

The Procurement as a Service Platform

Annual Report and Financial Statements
For the year ended 31 December 2018

Company number: 08188404

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2018 Operational Highlights

The Board is pleased to report continuing material improvement in revenue performance, which increased by 154% when compared to 2017. Revenue growth has been driven by the increasing adoption of services by Multinational Enterprises enabling Maistro to drive operational efficiencies against a background of stringent cost control.

The adjusted EBITDA loss increased 1% to £2.11m (2017: £2.08m) due to increased investment in business development activities which has significantly contributed to the revenue growth in 2018.

The Group has increased its investment in its PaaS ("Procurement-as-a-Service") Platform with the implementation and continued investment in its "AI" technology to further drive operational efficiencies.

To support this investment, the Board successfully raised £2.1m net after issue costs, receiving £1.2m during 2018 and £0.9m in January 2019.

As disclosed in the Interim Results, the Board concluded in 2018 that the reporting currency of the Group has been changed to GBP Sterling from US Dollars to provide greater transparency in the operating results of the Group.

In relation to strategic and operational highlights, the successful re-branding of the business was completed in January 2018. The Group appointed Ian Cleverly to the Board as Chief Financial Officer on 9 April, and appointed PricewaterhouseCoopers as its auditors.

The Board is encouraged by the Group's performance for the year ended 31 December 2018 and continues to invest in its PaaS Platform and business development team in order to further drive revenue growth, improve gross margins and deliver value to its customers.

Summary Financial Highlights

Measure	**2018**	2017	Year on Year
	£	£	*%*
Revenue	**1.50m**	0.59m	*154%*
Gross profit	**0.13m**	0.10m	*30%*
Adjusted EBITDA**	**(2.11)m**	(2.08)m	*1%*
Loss for the period	**(2.91)m**	(2.25)m	*29%*
Cash balance at period end	**1.1m**	2.45m	*(56%)*

*** Adjusted EBITDA is loss before interest, tax, depreciation and amortisation, foreign exchange movements and share option costs. EBITDA is a key monitoring tool used by the Board to monitor underlying trading performance while excluding the impact of non-trading items which may, due to one off adjustments, materially impact reported performance. (In 2017 this specifically referred to a material share based payment credit generated by the departure of the Board of Directors and subsequent forfeiture of their share options, and foreign exchange movements, which are deemed outside the scope of measuring underlying performance. There were no such one-off adjustments in 2018).*

Chairman's Statement

Maistro has made good progress during 2018 with strong sales growth and improvement in gross margin contribution. Revenue growth has been driven by the increasing use of Maistro's PaaS Platform by Multinational Enterprises which will be the bedrock of the Group's growth during 2019. Ongoing investment in the PaaS Platform has enabled the Group to stay ahead of the field in the automated purchasing of services and sets the Group up well for the work in progress in AI during 2019.

The aspirations of the Board for Maistro in 2019 are to rapidly increase the take up of the PaaS Platform by its core existing and new customers driving revenues and margins. The Board remains confident that the management team can achieve this, creating a very strong platform for continued leadership in this exciting and rapidly developing market.

David Rowe
Chairman
22 March 2019

Chief Executive Officer's Report

I am pleased to report on the significant progress that has been made in 2018. Our growing Enterprise customer base is responding to the significant benefits that our PaaS Platform offers, namely:

- Significant supplier cost savings
- Internal operational efficiencies in procuring and managing the supply of services
- Application of best practice procurement processes delivered through our end-to-end cloud-based software Platform, delivering compliance and risk management benefits

I am encouraged that both H1 and H2 2018 delivered sequential revenue growth on 2017 with Q4 2018 revenue closing just short of the entire revenue for FY 2017. For 2018 as a whole, revenue increased 154% on 2017.

Excluding share-based payments, administrative costs decreased by 2%, reflecting our commitment to continually improve operational efficiencies whilst supporting revenue growth. At the same time, we have continued to invest in the Maistro PaaS Platform and introduce AI technology to enable us to source and deliver projects faster and more cost-effectively reducing the need for significant increases in headcount.

To support our investment in technology and business development the Board successfully raised £2.1m net after costs, receiving £1.2m in the last quarter of 2018 and £0.9m in early 2019.

We strengthened the leadership team early in 2018 by appointing Ian Cleverly to the Board as Chief Financial Officer and in February 2019 appointed Neale Pritchard as Chief Commercial Officer.

The relationship with our largest Enterprise customers continues to grow as we deliver projects for them on a global basis. The business development team has grown the pipeline of new customers and have signed a large UK Enterprise customer in Q1 2019.

2018 has been a year of continued growth driven by excellent service from our operations team which is reflected in very high levels of customer satisfaction. The increase in the strength and depth of the new customer pipeline is a reflection of our increased sales and marketing investment which we expect to deliver new customers in early 2019.

I am encouraged by the continued progress we are making and believe that 2019 will prove to be more successful in both repeat business and increased new customer acquisition.

I would like to take this opportunity to thank all of our employees, customers, Board members and shareholders for their continued support.

Laurence Cook
Chief Executive Officer
22 March 2019

Strategic Report

Maistro has developed and operates an Enterprise focused Procurement-as-a-Service software Platform that helps private and public-sector organisations achieve significant cost savings and operational efficiencies in both procuring and managing the supply of goods and services. Maistro, acting as principal, delivers this solution using its proprietary cloud-based software and managed services to create an end-to-end solution that includes sourcing, supplier vetting, shortlisting, contract and project management through to payment processing and reporting.

Maistro focuses on Enterprise buyers and suppliers, with national and multi-national entities increasingly engaged on the PaaS Platform.

A Typical Project
The process starts with a customer submitting their project requirements, timeline and budget range onto Maistro's PaaS Platform. The requirement is then listed on the Marketplace and relevant suppliers are invited to pitch for the business.

Maistro's AI powered software efficiently identifies the best supplier pitches using references, ratings, credentials and credit scores. The shortlist is finalised by Maistro's Delivery team.

Once an approved supplier has been chosen, Maistro's PaaS Platform produces a digital 'Statement of Work' ('SOW') that forms the contract for both customer and supplier. At the agreement of both parties the project commences.

During the delivery cycle, our Delivery team, the customer and supplier maintain constant communication through 'Project Space', our online project management and collaboration system. At agreed milestones, and on project completion, billing and payments are managed by Maistro.

The Business Model

Maistro derives revenue from customers, acting as principal provider of the services, in the following ways:

1. Project revenue - Being revenue from projects that list on Maistro's marketplace, where the customer, in conjunction with Maistro, selects the service provider and a legally binding contract between Maistro and its customers is established within a Statement of Work (SOW). At this stage Maistro has assumed the principal contractual responsibility to deliver the agreed services, the delivery of the service has commenced, and project revenue recognition commences. Project revenue is recognised as control is passed, either over time, or at a point in time.

2. Premium Services - Comprising wraparound support services for projects including enhanced and accelerated procurement services. Revenue is recognised in alignment to the parent project as control is passed, either over time, or at a point in time.

3. Subscription & Licence Fees - customers pay for a licence to access the global Marketplace of pre-vetted suppliers. This allows users to log onto their personalised dashboard where they can place orders, review status tracking, create tasks and manage purchase orders. The cloud-based user dashboard is specifically designed to for quick deployment without the need for integration. Subscription fees relating to tiered annual subscriptions to service providers were terminated during 2017. 2018 revenue primarily represents that completion of legacy subscriptions.

Strategic Report (continued)

Market Insight

Throughout 2018 we have seen a further and faster shift towards corporate marketplaces becoming key to cost and efficiency improvements for Enterprises. In May 2018 in a Times supplement titled "The firm of the future", Accenture commented that "the firm of the future will include corporate marketplaces that combine on-demand labour platforms and online work management systems, leading a major trend that will transform existing organisational forms and management models by 2022". This trend was further confirmed in a study by KPMG titled "State of operations and outsourcing" where they comment that digital sourcing will surpass outdated sourcing adding that digital technologies including automation, artificial intelligence and smart analytics are topping the list of critical C-suite directives for operations strategy.

Maistro sees the trend towards corporate marketplaces gaining momentum through 2019 and beyond and is leading the thought leadership in this space. In October 2018 Maistro announced an agreement with the Chartered Institute of Procurement and Supply (CIPS) to become their exclusive Knowledge Partner focusing on B2B Marketplaces.

Helen Alder, Head of Knowledge and Product Development at CIPS commented, "Procurement and supply chain managers have more difficulties and pressures than ever before to operate and source from a global marketplace. It has become really challenging. As the business environment becomes more complex, and with Brexit on the horizon, our members need and want more information and data on how to navigate these new unchartered waters. This partnership with Maistro can help procurement and help add value to the business so the Maistro offering will ultimately benefit businesses in many ways."

We believe that based on market trends Maistro is uniquely positioned to take advantage of this global opportunity.

Sales and Marketing

As the Enterprise sector continues its shift towards corporate marketplaces, Maistro's value proposition becomes more relevant to those organisations needing to quickly move towards digital sourcing as a means to reduce cost and optimise procurement efficiency. The knowledge partnership with CIPS and the increasing awareness in the trade press of Maistro's capabilities and subsequent requests for commentary continue to raise Maistro's profile. This combined with further investment in sales and marketing is expected to shorten the prospect to customer sales cycle. We have signed a major UK based enterprise customer in Q1 2019, which combined with a strengthening pipeline supports expected strong sales growth in 2019.

Technology Developments

The 2018 Technology Roadmap focused on optimising the Source to Pay business process that underpins the core value proposition for our customers and suppliers. This includes our own back office functions, designed to optimise lead to cash and drive margin improvements.

In a recent interview, Mckinsey stated that of the 220 distinct activities in a typical Source to Pay process, more than 50% of these could be automated. Ultimately, we see the Source to Pay process for procuring Services evolving to mirror the consumer experience for procuring goods.

Aside from the normal technology requirements to fulfil such a user experience, like systems integration, there will be a heavier reliance on AI/Machine learning approaches to both accommodate the variety of Services categories, but also provide a robust and compliant procurement process that enterprises require.

With this in mind, the strategic roadmap developments in 2018 focused on:

- Further developing Maistro's AI capabilities
- Enhancements to the Supplier onboarding and vetting process
- Improvements to Maistro's Delivery workflow

Strategic Report (continued)

AI

In 2018 Maistro partnered with DXC to continue to develop our AI capabilities. Maistro's business model of being principal provides a rich source of historical data which the various Machine Learning approaches we employ benefit from. Beyond the pure sourcing of suppliers, we have utilised historical data on the delivery of services projects, supplier performance, compliance as rated by the Customer and Maistro, invoicing and payment data to develop the algorithms. These algorithms provide Maistro with a framework for scaling the AI to other categories and complexity of Services spend as we encounter them.

Supplier Onboarding and Vetting

One of the challenges many Enterprises have is a standardised way of categorising services spend. We have integrated a standards-based mechanism of codifying Services Categories and supplier skills. This allows suppliers to more accurately describe the types of services they provide and associated skills, thereby speeding up the sourcing process.

Supplier vetting and compliance, knowing your supplier, is becoming a key requirement of our Enterprise customers. During the course of 2018 we have further developed a combination of both on-platform and off-platform tools, customisable to each customer's requirements, to improve the efficiency of the vetting process. This has been integrated into Maistro's AI engine improving the precision and efficiency with which Maistro's Delivery function can source suppliers.

Workflow Improvements

The variety of geographical locations spend categories and value of projects increased in 2018. To optimise this a number of workflow improvements were developed to assist Maistro's Delivery function. These included an improved communications environment with customisable email templates, ability for customers to track savings on a per project basis and a deal review template to aid decision making when delivering projects with complex tax regimes on services rendered.

Outlook

The roadmap for 2019 will continue to further refine these themes with the ultimate objective of moving towards a "Self-Serve" offering for lower value commodity projects. For higher value complex projects Maistro will continue to utilise the PaaS Platform for sourcing the right supplier but with the added managed service offering of a "human in the loop". This combination of technology and managed services has been a key element to our success in 2018 with large global Enterprise customers.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 8 to 10.

Financial review and results

The results of the Group during the year are set out in the Chief Financial Officer's review on pages 11 to 12.

Environmental matters

As far as the Directors are aware the Group's business does not cause a materially adverse impact on the environment.

Human rights policy

We adopt an equal opportunities policy in relation to all employee matters. The aim of the policy is to ensure that there is no discrimination against any employee or job applicant either directly or indirectly on the grounds of race, gender, disability, sexual orientation, marriage or civil partnership, pregnancy or maternity, religion or belief, or age.

Strategic Report (continued)

Employees and Directors

As at 31 December 2018 the Group employed 24 people in one office (2017: 22 people), of whom 15 were male and 9 were female. As at the date of this document of the 4 senior members of management, none was female.

Details of Directors who served during the year ending 31 December 2018 are outlined in the Directors' Report, of whom 5 were male and 1 was female.

Approved and on behalf of the Board:

Laurence Cook
Chief Executive Officer
22 March 2019

Principal Risks and Uncertainties

The Board and management regularly review and monitor the key risks involved in running and operating the business. The future success of the Group is dependent on the Board's ability to implement its strategy. The model for the future development of the Group is reliant on its ability to achieve a critical mass of customers, its ability to derive revenue from these customers by providing excellent technical support, a value-added service, solution delivery and delivering operational gearing. Material risks together with relevant mitigating factors are set out below:

Market Risks

Competition
There may be competition from new entrants to the "Procurement as a Service" (PaaS) space, some of whom may have greater financial resources.

Maistro believes it continues to hold 'first mover' advantage in its market. It continues to invest in expanding its lead in technology, expertise, and service delivery and believes it has a level of knowledge, expertise and established supplier base which drives competitive advantage.

Operational Risks

Technology
Maistro's performance is dependent on its technology keeping pace with developments in cloud and mobile technology, including volumes of data and growth in applications.

Maistro manages this risk by a commitment to research and development combined with ongoing dialogue with trading partners and sector specialists to ensure that market developments are understood and updates to the PaaS Platform are made as appropriate.

Customers
As Maistro acquires the trust and loyalty of larger Enterprise customers, the dynamics of projects that generate revenue continue to evolve, with more complex and longer life cycle projects being submitted to the PaaS Platform. In addition, the Enterprise customer requires an enhanced level of service and high-quality outcomes for their projects. Added complexity and enhanced service requires employees with requisite skills.

Maistro focuses on the customer experience with a dedicated Delivery team. Maistro also offers a range of defined Premium Services to allow the Enterprise customer access to higher levels of project support.

Revenues from customers are dependent on them submitting projects onto the Group's proprietary PaaS software Platform, which can be variable, and are outside the Group's control and therefore inherently difficult to predict.

Suppliers
Maintenance and addition of high-quality suppliers able to deliver high value projects over all indirect spend categories is key to growth particularly as Enterprise customers submit larger and more complex projects.

Maistro attracts suppliers by maintaining leading-edge technology and by the quality and volume of potential projects on offer on its PaaS Platform.

Maistro extensively vets all potential suppliers. External credit ratings and/or reports on customers and other counterparties are also obtained and extensively employed to ensure only high-quality suppliers have access to projects.

Principal Risks and Uncertainties (continued)

Dependence on key management personnel
The performance of Maistro will depend heavily on its ability to retain the services of the Board and key management personnel, and to recruit, motivate and retain suitably skilled personnel. The loss of service of key individuals may have an adverse effect on the business, operations, customer relationships and results.

The Board will ensure that the management team are appropriately incentivised and there is scope to appropriately incentivise new key personnel where required.

Maistro operates a share option scheme which enables employees to benefit from growth. It also ensures that the management team, staff and shareholders objectives are aligned.

Financial Risks

Liquidity
Liquidity risk is the risk that Maistro may be unable to meet short term financial demands.

The Group made significant progress in 2018, delivering a significant improvement in revenue growth, which increased by 154%. As a result of investment in business development net cash burn from operations increased to (£2.0m) (2017: (£1.8m)).

The Group successfully raised £1.2m net of issue costs in placing proceeds received in December 2018. A further £0.9m net of issue costs in placing proceeds was received in January 2019.

Warrant conversions during 2018 resulted in net cash inflows of £0.1m net of issue costs. Warrants totaling £1.6m remain outstanding which, if exercised, will provide the business with additional funds. The exercise of warrants is in part, reliant on an increase in the Group's share price.

The Group had cash of £1.1m as at 31 December 2018.

The Group has made significant progress during 2018. Cash forecasts through to December 2020 are based on continued sequential growth in revenues combined with increased investment in technology development and business development functions. Cash burn excluding financing for 2019 is forecast to be £1.5m (2018: £2.7m) and positive in 2020. Cash balances at 31 December 2018 include £1.2m net of issue costs in placing proceeds received in December 2018. A further £0.9m net of issue costs was received in January 2019.

The Group focuses on large national and multi-national entities ("Enterprise") rather than smaller customers and has made significant progress in signing up new Enterprise customers over the past year. The Directors recognise that building the Enterprise business and making the Group sustainably profitable and cash generative is a medium-term goal that may require further funding to be raised in the future. The Directors and major shareholders continue to support the Group to achieve its objectives.

The Directors have prepared cash flow forecasts for a period of more than 12 months from the signing date of this report. The forecasts exclude the effect of any cash inflows from the exercise of the Group's warrants, in part because the exercise price is higher than the current share price.

The forecasts contain assumptions including significant growth in future revenue, both in project revenues and premium services; the cost model; and margins. The Directors recognise that the forecasts contain assumptions that are inherently uncertain, and should the assumed growth and margin improvements not be achieved, further funding will be required which is not in the control of the Group. The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group and Company's ability to continue as a going concern and that therefore the Group and Company may be unable to continue realising their assets and discharging their liabilities in the normal course of business.

Principal Risks and Uncertainties (continued)

Credit
Credit risk is the risk that a counterparty fails to discharge an obligation to Maistro.

Maistro is exposed to this risk for various financial instruments, for example by granting receivables to customers.

Maistro continuously monitors customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls.

Maistro's focus on Enterprise customers reduces its exposure to credit risk and where risk is identified for small and medium sized customers, takes cash in advance of projects going onto the PaaS Platform. External credit ratings and/or reports on customers and other counterparties are also obtained and extensively employed.

Foreign exchange
Maistro is exposed to foreign exchange risk predominantly on its sales and purchases in the USA, Eurozone and Asia Pac region.

Maistro manages its foreign exchange exposure on a net basis. To reduce its exposure to movements in foreign exchange rates the Group enters into forward currency contracts when appropriate. See Note 21 to the consolidated Financial Statements for further information.

Brexit
The UK economy remains in a period of uncertainty while the ramifications of leaving the European Union are worked through. There is a lack of clarity on how any free trade agreements will be negotiated and there continues to be major implications for the Sterling exchange rate and other fiscal levers. At the time of writing we are unclear as to how these factors will impact the UK economy. Maistro is well positioned to manage any uncertainty.

Chief Financial Officer's Review

During 2018 Maistro has focused on its Enterprise strategy, developing and expanding its relationships with its customer base. The strategic outlook is encouraging, as we report significant improvements in both Revenue and Gross margin contribution, with a continued focus on managing operational costs and improving operational efficiencies to drive performance towards a positive EBITDA.

The Board concluded in H1 2018 to change the currency it presents its financial results from US Dollars to GBP Sterling. Accordingly, the previously reported results for the twelve months ended 31 December 2017 have been translated from US Dollars to GBP Sterling using the exchange rates set out in Note 1.

Revenue
Revenue for the year increased by 154% to £1.50m (2017: £0.59m). This growth was due to improved project engagement with global Enterprise customers, particularly those in the Asia Pac region.

Project revenue increased by 225% to £1.48m (2017: £0.46m). During 2018 the Group successfully engaged with a number of global Enterprise customers and delivered projects with materially higher values than in previous periods.

As in 2017, the overall quality and collectability of Maistro's project revenues significantly improved during the year.

Gross Margin
Maistro includes the cost of Maistro staff directly involved in the delivery of projects from listing to completion, in cost of sales. The gross margin has been impacted by irrecoverable withholding and sales taxes incurred in a number of territories.

Gross profit was £0.13m in 2018 (2017: £0.10m). The increase has been driven by the increase in Project revenue and a reduction of 38% in staff costs charged to cost of sales to £0.08m (2017: £0.13m). This was achieved by further automation of Maistro's PaaS Platform and delivery processes driving improved operational efficiency.

Adjusted EBITDA
The adjusted EBITDA ('Earnings before Interest, Tax, Depreciation and Amortisation, Foreign Exchange movements and Share Option costs') loss for the year increased by 1% to £2.11m (2017: £2.08m). This was driven by an overall reduction in administrative and other costs, being offset by increased investment in business development which has significantly contributed to revenue growth in 2018. A reconciliation to arrive at adjusted EBITDA is included in Note 5 of the Financial Statements.

Costs
Administrative costs increased by 28% to £3.2m (2017: £2.50m). The increase was largely due to the normalisation of share-based payment costs, which in 2017 were impacted by a £0.57m credit due to the forfeiture of share options upon cessation of employment of leavers which included the previous Board of Directors. Excluding the share-based payments, administrative costs decreased by 2%.

During 2018 the average number of employees reduced from 24 to 21. Staff recruitment accelerated in the second half of the year as the Group increased its investment in the business development team and professionally qualified Delivery staff. Share-based payments resulted in a charge of £0.18m (2017: credit of £0.57m).

The credit risk associated with customers using the Marketplace in 2018 resulted in a credit £0.013m (2017: credit £0.006m) bad debt provision included within Administrative costs. The credit was driven by recovery of previously provided for debts.

Loss after Tax
The loss after tax for the year increased 29% to £2.91m (2017: £2.25m).

Finance income of £0.008m (2017: £0.03m) reflects cash balances held on deposit. Taxation includes £0.16m (2017: £0.15m) of R&D tax credit.

Chief Financial Officer's Review (continued)

Tax Losses
Tax losses for the Group up to the end of December 2018 amount to a total of £27.6m (2017: £18.1m), none of which have been recognised as a deferred tax asset.

Cash
The cash balance at 31 December 2018 was £1.1m (31 December 2017: £2.45m). Cash balances at 31 December 2018 include £1.2m net of issue costs in placing proceeds received in December 2018. A further £0.9m net of issue costs was received in January 2019.

Operating cash outflow from operating activities was £2.03m (2017: £1.78m). Investments in intangible technology assets totaled £0.61m (2017: £0.53m), reflecting the capitalisation of internal technology development, and investment in AI technology into the PaaS Platform.

Net cash generated from financing activities was £1.3m (2017: £2.76m) after deducting issue costs of £0.13m (2017: £0.19m). Financing activities included warrant conversion of £0.1m net of issue costs and £1.2m net of issue costs from the December 2018 placing.

Trade Receivables
With the transition to the Enterprise strategy completed, and a rigorous customer vetting process, credit risk has been materially mitigated in 2018.

Governance

Board of Directors

David Rowe – Chairman. Appointed 10 July 2017
David Rowe is the CEO of Black Green Capital, a Venture Capital investment company based in London specialising in disruptive digital transformation. Companies in the portfolio include, hydro66.com, sendwyre.com, and message.io. David was CEO and founder of Easynet Group, a UK listed global Enterprise Cloud services business sold to BSkyB in 2006. David subsequently headed up B2B at BSkyB.

Laurence Cook – Chief Executive Officer. Appointed 7 August 2017
Laurence Cook has 25 years' experience in the Information, Communications and Technology industry, successfully bringing disruptive products and services to market while leading global sales, driving product development and defining commercial strategies. Throughout his career, he has consistently instigated double-digit growth year on year across his sales and business development teams across Europe, US, and Asia while holding senior commercial roles in Siemens, Sopra Steria and NTL Broadcast and Telecoms. In addition to his corporate responsibilities, Laurence has held several Board roles within both technology and services.

Ian Cleverly – Chief Financial Officer. Appointed 9 April 2018
Ian has more than 15 years' experience in senior financial positions across telecommunications and high-tech industries across the UK, Europe and Asia Pac. He has a proven track record creating and delivering shareholder value. Working extensively within both start-up and multinational businesses, Ian has held prominent senior leadership roles within respected global brands including NTL, Procter & Gamble, 3 Hutchison Ireland (Hutchison Whampoa) and most recently within Cable & Wireless where he acted as Chief Financial Officer. Ian has a diverse background in successfully taking businesses from inception to maturity throughout his career and is a qualified UK Chartered Accountant.

Richard Croft - Non-executive Director. Appointed 10 July 2017
Richard Croft is a solicitor with more than 20 years' experience of corporate and commercial law. Richard's current directorships include Croft Legal Services Limited, Black Green Capital Limited and Hydro66 UK Limited. His initial career was at GEC and as general counsel for Easynet Group. Richard specialises in TMT and new media commercial law.

Richard Rae - Non-executive Director. Appointed 10 July 2017
Richard Rae qualified as a Chartered Accountant with KPMG and joined Hoare Govett as an investment analyst in 1987. He spent 22 years working in investment research and equities management, latterly as a Managing Director, responsible for smaller companies, in the Global Equities division of ABN AMRO. Since 2009, he has established himself as an independent management consultant providing corporate advice to both listed and unlisted companies. He is also a director of Aberforth Smaller Companies Trust Plc.

Preeti Mardia - Non-executive Director. Appointed 10 July 2017
Preeti Mardia has diverse end-to-end operational management and commercial expertise across Electronics, Telecoms, Aerospace and FMCG sectors. She is a Board Director with ThinFilm Electronics ASA, a global leader in printed electronics technology, and a non-executive Board Director of GFinity Plc. Prior to the position of Senior Vice President Operations held at IDEX ASA, she was Vice President Operations for Axxcss Wireless UK and Operations Director at Filtronic Plc. She has FMCG experience with Cadbury Schweppes Plc. She has a Master's degree in Management from Ashridge.

Directors' Report

The Directors present their report and the audited consolidated Financial Statements for the year ended 31 December 2018.

Maistro Plc was incorporated on 22 August 2012 and is listed on the AIM market of the London Stock Exchange. The Company is domiciled and incorporated in the United Kingdom. The Group changed its name to Maistro Plc on 8 January 2018. These Financial Statements are prepared in accordance with IFRS as adopted by the European Union. The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiaries. The Company Financial Statements present information about the Company as a separate entity and not about its Group.

Review of the year

The results of the Group during the year are set out in the Strategic Report as outlined on pages 4 to 7. This analysis includes comments on the position of the Group at the end of the financial year, an indication of likely future developments in the business of the Group.

Employment policies

The Group is committed to providing equality of opportunity to all existing and prospective employees without unlawful or unfair discrimination. Full support is given to the employment and advancement of disabled persons.

Financial risk management

The Group's financial risk management objectives and policies are shown in Note 1 of the consolidated Financial Statements.

Dividend

The Group's current policy is not to pay dividends. There can be no assurance as to the level of future dividends (if any) that may be paid by the Group.

The Board intends to adopt a dividend policy appropriate to the Group's financial performance. This will take into account its ability to operate and grow and the need to retain a prudent level of cash resources. Any profits are likely to be retained to make good the cumulative retained losses and used towards the development of the Group's activities and business for the foreseeable future.

Directors' Report (continued)

Directors and Directors' Interests
The Directors who held office during the financial year are set out below, together with their interests in the Ordinary shares of the company according to the register of Directors' interests:

	Interest at 31 December, 2018	Interest at 31 December, 2017
Laurence Cook [1]	1,784,320	-
Ian Cleverly[9]	3,329,023	-
David Rowe [2,3,10]	31,637,870	11,071,429
Preeti Mardia [2,3]	2,857,143	1,357,142
Richard Rae [2,3]	16,335,015	5,285,714
Richard Croft [2,3,4]	4,432,838	1,928,571
Philip Letts [5]	Not applicable	14,179,840
Kara Cardinale [6]	Not applicable	276,637
Timothy Allen [7]	Not applicable	-
Richard Bourne-Arton [3, 8]	Not applicable	400,330
David John Sherriff [3,6]	Not applicable	414,955
Roger de Peyrecave [3,6]	Not applicable	138,318
Robert Wirszycz [3,6]	Not applicable	47,700

1 Appointed 7 August 2017

2 Appointed 10 July 2017

3 Non-Executive Director

4 Company Secretary

5 Resigned 1 August 2017

6 Resigned 10 July 2017

7 Resigned 28 July 2017

8 Resigned 31 January 2017

9 Appointed 9 April 2018

10 Includes 2,142,857 Ordinary shares purchased via exercised warrants 13 August 2018

Directors' Report (continued)

The Directors who held office during the financial year are set out below, together with their interests in Warrants attached to the Ordinary shares of the Company according to the Register of Directors' interests. The Directors received the Warrants in the capacity of a Shareholder, rather than in the capacity of a Director providing services.

	Warrants at 1 January 2018	Issued	Exercised	Warrants at 31 December 2018	Date of Issue	Subscription Price	Earliest Date of Exercise	Latest Date of Exercise
Laurence Cook [1]	-	-	-	-	-	-	-	-
Ian Cleverly [9]	-	-	-	-	-	-	-	-
David Rowe [2,3]	2,142,857	-	(2,142,857)	-	01/08/2017	£0.035	01/08/2018	01/08/2019
	1,250,000	-	-	1,250,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Preeti Mardia [2,3]	214,286	-	-	214,286	01/08/2017	£0.035	01/08/2018	01/08/2019
	250,000	-	-	250,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Richard Rae [2,3]	1,071,429	-	-	1,071,429	01/08/2017	£0.035	01/08/2018	01/08/2019
	500,000	-	-	500,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Richard Croft [2,3,4]	357,143	-	-	357,143	01/08/2017	£0.035	01/08/2018	01/08/2019
	250,000	-	-	250,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Philip Letts [5]	-	-	-	-	-	-	-	-
Kara Cardinale [6]	69,159	-	-	69,159	01/08/2017	£0.035	01/08/2018	01/08/2019
Timothy Allen [7]	-	-	-	-	-	-	-	-
Richard Bourne-Arton [3,8]	-	-	-	-	-	-	-	-
David John Sherriff [3,6]	103,739	-	-	103,739	01/08/2017	£0.035	01/08/2018	01/08/2019
Roger de Peyrecave [3,6]	34,580	-	-	34,580	01/08/2017	£0.035	01/08/2018	01/08/2019
Robert Wirszycz [3,6]	-	-	-	-	-	-	-	-
Total	**6,243,193**	**-**	**(2,142,857)**	**4,100,336**				

1 Appointed 7 August 2017

2 Appointed 10 July 2017

3 Non-Executive Director

4 Company Secretary

5 Resigned 1 August 2017

6 Resigned 10 July 2017

7 Resigned 28 July 2017

8 Resigned 31 January 2017

9 Appointed 9 April 2018

Directors' Report (continued)

The Directors interests in share options of the Company were:

	Options at 1 January 2018	Granted	Surrendered	Options at 31 December 2018	Date of Grant	Exercise Price	Earliest Date of Exercise	Latest Date of Exercise
Laurence Cook [1,6]	4,412,785	-	-	4,412,785	20/09/2017	£0.04375	20/09/2020	20/09/2027
	562,500	-	-	562,500	12/12/2017	£0.06500	12/12/2020	20/12/2027
Ian Cleverly [5,6]	-	1,770,928	-	1,770,928	19/04/2018	£0.0400	19/04/2021	19/04/2028
David Rowe [2,3,7]	-	-	-	-	-	-	-	-
Preeti Mardia [2,3]	-	-	-	-	-	-	-	-
Richard Rae [2,3]	-	-	-	-	-	-	-	-
Richard Croft [2,3,4]	-	-	-	-	-	-	-	-
Total	**4,975,285**	**1,770,928**	**-**	**6,746,213**				

1 Appointed 7 August 2017

2 Appointed 10 July 2017

3 Non-Executive Director

4 Company Secretary

5 Appointed 9 April 2018

6 33.3% vesting at the end of each year for a period of three years.

7 Further to the terms of the August 2017 placing, David Rowe was granted an Option Agreement as part of his incentive-based remuneration package. These options have been excluded from the above table. See Note 20 for specific terms in respect of the options.

During the year the Directors were awarded a total of 1,770,928 share options (2017: 4,975,285) at a weighted average exercise price of £0.04 (2017: £0.04615). These options are long-term in nature. No share options were received or receivable in respect of qualifying services under a formal long-term incentive scheme.

No share options were exercised during the year.

Directors' Report (continued)

Emoluments and compensations in relation to Directors for the period of their office:

	Salary/Fees	Share-based Payments	Bonus	Benefits	**2018**	2017
	£	£	£	£	**£**	£
Laurence Cook (appointed 7 August 2017)	150,000	67,421	30,000	3,511	**250,932**	118,598
Ian Cleverly (appointed 9 April 2018)	95,000	7,307	17,000	3,144	**122,451**	-
David Rowe (appointed 10 July 2017)	50,000	99,082	-	-	**149,082**	23,557
Preeti Mardia (appointed 10 July 2017)	22,500	-	-	-	**22,500**	7,065
Richard Rae (appointed 10 July 2017)	22,500	-	-	-	**22,500**	7,104
Richard Croft (appointed 10 July 2017)	32,500	-	-	-	**32,500**	7,065
Philip Letts (resigned 1 August 2017)	-	-	-	-	-	85,606
Kara Cardinale (resigned 10 July 2017) [1]	-	-	-	-	-	21,323
Timothy Allen (resigned 28 July 2017)	-	-	-	-	-	67,563
Richard Bourne-Arton (resigned 31 January 2017)	-	-	-	-	-	1,500
David Sherriff (resigned 10 July 2017)	-	-	-	-	-	19,577
Roger de Peyrecave (resigned 10 July 2017)	-	-	-	-	-	13,485
Robert Wirszycz (resigned 10 July 2017)	-	-	-	-	-	13,485
	372,500	173,810	47,000	6,655	**599,965**	385,928

[1] These fees were paid to Revviva LLC, a Company in which Kara Cardinale has an interest, in relation to her services as a Director.

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017: 1).

Substantial Shareholdings

The Company has been advised of the following interests in more than 3% of its Ordinary share capital as at 31st December 2018:

	%
Charles Street International	24.4
David Rowe	10.3
InterTrader (London)	5.8
Richard Rae	5.3
Brewer Dolphin (London)	5.1
Spreadex	4.4
Philip Letts	4.2

Directors' Report (continued)

Research and Development
The Group undertakes development activities which involve the enhancement of its PaaS Platform. Development expenditure is capitalised as an intangible asset, only if the development costs can be measured reliably and the platform being built will be completed and will generate future economic benefits in the form of cash flows to the Group. Expenditure being capitalised includes internal staff time and cost spent directly on developing the PaaS Platform.

Material uncertainty related to Going Concern

The Group's Financial Statements have been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The Group focuses on large national and multi-national entities ("Enterprise") rather than smaller customers and has made significant progress in signing up new Enterprise customers over the past year. The Directors recognise that building the Enterprise business and making the Group sustainably profitable and cash generative is a medium-term goal that may require further funding to be raised in the future. The Directors and major shareholders continue to support the Company to achieve its objectives.

The Group recorded a loss from operations in the year of £3.1m and had cash of £1.1m as at 31 December 2018. In January 2019 the Group received further placing proceeds of £0.9m net of issue costs. Cash burn excluding financing for 2019 is forecast to be £1.5m (2018: £2.7m) and positive in 2020. Cash at the end of 2019 and 2020 is forecast to be £0.8m and £1.9m respectively. Cash balances at 31 December 2018 include £1.2m net of issue costs in placing proceeds received in December 2018. A further £0.9m net of issue costs was received in January 2019.

The Directors have prepared cash flow forecasts for a period of more than 12 months from the signing date of this report. The forecasts exclude the effect of any cash inflows from the exercise of the Group's warrants, in part because the exercise price is higher than the current share price.

The forecasts contain assumptions including significant growth in future revenue, both in project revenues and premium services; the cost model; and margins. The Directors recognise that the forecasts contain assumptions that are inherently uncertain and should the assumed growth and margin improvements not be achieved further funding will be required which is not in the control of the Group. The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group and Company's ability to continue as a going concern and that therefore the Group and Company may be unable to continue realising their assets and discharging their liabilities in the normal course of business.

Nevertheless, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue for at least 12 months from the date of approval of these Financial Statements. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Directors' Report (continued)

Political Contributions
The Group made no political donations or incurred any political expenditure during the year.

Corporate Governance
The Board is committed to the maintenance of high standards of corporate governance.

The corporate governance framework which the Group operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values.

Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each as required by the QCA Code. The Board considers that it does currently depart from principle 7 of the QCA Code.

1. Establish a strategy and business model which promote long-term value for shareholders

Our strategy is focussed on the retention and growth of multinational Enterprise customers and on the continued development of our PaaS platform to support revenue growth.

2. Seek to understand and meet shareholder needs and expectations

Responsibility for investor relations rests with the Chief Executive Officer (CEO), supported by the Chief Financial Officer (CFO). The Group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meeting (AGM), and we encourage shareholders' participation in face-to-face meetings. A range of corporate information (including all Maistro announcements) is also available to shareholders, investors and the public on our website.

Directors' Report (continued)

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Stakeholder	Reason for engagement	How we engage
Staff - Our ability to fulfil client services and develop and enhance the cloud software platforms on which they depend relies on having talented and motivated staff	Good two-way communication with staff is a key requirement for high levels of engagement, fostering a culture of innovation.	Monthly staff briefings. Invitation to staff to ask questions of management that are answered in the briefings. These have provided insights that have led to enhancement of management practices and staff incentives.
Clients - Our success and competitive advantage are dependent upon fulfilling client requirements, particularly in relation to quality of service, its speed of delivery and security.	Understanding current and emerging requirements of clients enables us to develop new and enhanced services, together with software to support the fulfilment of those services.	Obtain requests for new services and service enhancements.
Suppliers - Our database of suppliers enables us to intelligently match our customers' requirements to the most suitable suppliers.	Our suppliers will provide similar services to other organisations so we must ensure they are available to us and accommodating.	We optimise our systems to simplify the work of suppliers as much as possible, including in relation to administration of projects. These have led to a large, growing and supportive supplier network.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for ensuring the Group has effective and sound systems of internal controls, which are designed to manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatements and loss. The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the systems of internal control for the year to 31 December 2018.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board includes three independent non-executive Directors: Preet Mardia, Richard Rae and Richard Croft.

The composition and experience of the Board is included in the Annual Report. The Board has a formal schedule of matters reserved for its approval and is supported by the Audit, Remuneration, Risk and Nomination Committees. All Directors are required to devote sufficient time to carry out their role.

Directors' Report (continued)

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of technology and software, business transformation and management, capital markets, change management and governance. To ensure that the Directors maintain appropriate skills they are provided with training when identified as appropriate by the Chairman.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The current Board has been in place since August 2017 and a Board evaluation process has not yet taken place. The Board expects an evaluation to take place during the following 12 months.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board embodies and promotes a corporate culture that is based on sound ethical values and behaviours.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans.

The Board defines a series of matters reserved for its decision and has approved terms of reference for its Audit and Remuneration committees to which certain responsibilities are delegated. The Chair of each committee reports to the Board on the activities of that committee.

The Audit Committee members are Richard Rae (Chair) and Preeti Mardia. The committee monitors the integrity of Financial Statements, oversees risk management and control, monitors the effectiveness of the internal audit function and reviews external auditor independence.

The Remuneration Committee members are Preeti Mardia (Chair), David Rowe and Richard Rae. The committee sets and reviews the compensation of Executive Directors including the setting of targets and performance frameworks for cash and share-based awards.

The Executive Board, consisting of the Executive Directors, operates as a management committee, chaired by the CEO, which reviews operational matters and performance of the business, and is responsible for significant management decisions while delegating other operational matters to individual managers within the business.

The Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual Directors, the Board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

The CEO provides coherent leadership and management of the Group, leads the development of objectives, strategies and performance standards as agreed by the Board, monitors, reviews and manages key risks and strategies with the Board, ensures that the assets of the Group are maintained and safeguarded, leads on investor relations activities to ensure communications and the Group's standing with shareholders and financial institutions is maintained, and ensures that the Board is aware of the views and opinions of employees on relevant matters.

The Executive Directors are responsible for implementing and delivering the strategy and operational decisions agreed by the Board, making operational and financial decisions required in the day-to-day operation of the Group, providing executive leadership to managers, championing the Group's core values and promoting talent management.

Directors' Report (continued)

The Independent Non-Executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the Group is operating within the governance and risk framework approved by the Board.

The Company Secretary is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the Group evolves.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Historical annual reports and other governance-related material is available on the Investors section of our website.

At the company's 2018 AGM all resolutions were passed with over 90% of the votes cast.

The Audit Committee

The Audit Committee ('the Committee') is established by and is responsible to the Board. The Audit Committee members are Richard Rae (Chair) and Preeti Mardia. It has written terms of reference which are available at www.maistro.com. Its main responsibilities are:

- to consider and be satisfied with the truth and fairness of the Group's Financial Statements before submission to the Board for approval, ensuring their compliance with the appropriate accounting standards, the law and the Listing Rules of the Financial Conduct Authority;
- to monitor and review the effectiveness of the Group's system of internal control;
- to consider areas of accounting judgement;
- to make recommendations to the Board in relation to the appointment of the external auditor and its remuneration, following appointment by the Shareholders in General Meeting, and to review and be satisfied with the auditor's independence, objectivity and effectiveness on an ongoing basis; and
- to implement the policy relating to any non-audit services performed by the external auditor.

The Committee meets with the external auditors, without the Executive Directors being present, at least once a year.

The Committee is authorised by the Board to seek and obtain any information it requires from any officer or employee of the Group and to obtain external legal or other independent professional advice as is deemed necessary by it. Meetings of the Committee are held at least three times per year to coincide with the review of the scope and plans for the external audit and the publication of the interim and full year Financial Statements. The external auditor is invited to attend these meetings to present the results of their work including their views on significant accounting policies and judgements. During the year the Committee considered in particular the judgements relating to Going Concern, the carrying value of the intangible assets, the investment in and receivable from the subsidiary and, particularly in respect of the appropriateness and application of the revenue recognition policy.

The Committee receives reports from management on the effectiveness of the system of internal controls. It also receives from the external auditor a report of matters arising during the course of the audit that the auditor deems to be of significance for the Committee's attention. The external auditor is required to give the Committee information about policies and processes for maintaining its independence and compliance regarding the rotation of audit partners and staff.

The Committee considers all relationships between the external auditor and the Company to ensure that they do not compromise the auditor's judgement or independence particularly with the provision of non-audit services. The performance of the external auditor is reviewed at least annually, normally in the spring.

Directors' Report (continued)

The Nomination Committee
David Rowe is Chairman of the Committee. Preeti Mardia and Richard Croft are members of the Committee. The Nomination Committee meets at least once a year, with the Chief Executive Officer in attendance as appropriate. The Nomination Committee considers appointments to the Board.

The Remuneration Committee
The Remuneration Committee members are Preeti Mardia (Chair), David Rowe and Richard Rae. The Remuneration Committee meets at least two times a year, with the other Board members in attendance as appropriate. It has written terms of reference. The Remuneration Committee agrees the framework for Executive Directors' remuneration with the Board.

Directors are subject to re-election at the Annual General Meeting following their appointment. In addition, at each Annual General Meeting one-third (or the whole number nearest to one-third) of the Directors will retire by rotation.

Internal Controls and Risk Management
The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Statement of Disclosure to the Auditors
All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

Auditors
In accordance with section 485 of the Companies Act 2006, a resolution to reappoint PricewaterhouseCoopers LLP as auditor will be put to the forthcoming Annual General Meeting.

Approved and on behalf of the Board:

David Rowe
Chairman
Maistro Plc

22 March 2019

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group Financial Statements and IFRSs as adopted by the European Union have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Maistro plc

Opinion

In our opinion, Maistro Plc's Group Financial Statements and Company Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's Financial Statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2018; the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

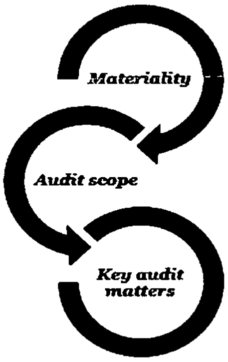
Material uncertainty related to going concern – Group and Company

In forming our opinion on the Group and Company Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the Financial Statements concerning the Group's and Company's ability to continue as a going concern. The Group has incurred a net loss of £2.9 million during the year ended 31 December 2018. The Group is reliant on significant future revenue growth and margin improvements to meet their forecast cash flow requirements which if not achieved will require the Group to obtain additional funding for it to continue as a going concern. These conditions, along with the other matters explained in Note 1 to the Financial Statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The Group and Company Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Independent auditor's report to the members of Maistro plc (continued)

Our audit approach

Overview



- Overall Group materiality: £150,000, based on 5% of loss before tax.
- Overall Company materiality: £100,000, based on 1% of total assets but capped by overall Group materiality.

- Maistro Plc consists of 3 components.
- Audit performed for both Maistro UK Limited and Maistro Plc.
- Audit coverage of 100% consolidated revenue and more than 97% coverage of the consolidated loss before tax.

- Recoverability of Parent company's investment in subsidiary (Company).
- Risk that internally generated development costs do not meet the criteria for capitalisation and that costs previously capitalised may not be recoverable (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Independent auditor's report to the members of Maistro plc (continued)

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of Parent company's investment in subsidiary Maistro UK Limited, the main trading subsidiary continues to make a large loss which indicates a potential risk that the Parent company's investment and the company debtor balances may not be recoverable. During the year, the intercompany debtor balance was fully impaired whilst the cost of investment was impaired to £2.9m. (Company)	We have compared the market capitalisation of the Group as at 31 December 2018 to the total carrying value of the amounts owed by Maistro UK Limited and the underlying investment. As a result of our work we determined that the amounts included in the Statement of Financial Position and the associated impairment were reasonable.
Risk that internally generated intangible assets capitalised do not qualify for recognition and that costs previously capitalised may not be recoverable We focus on this area because of the magnitude of the cumulative capitalised development expenditure of £1.2m and the risk that amounts may not be recoverable if future revenue growth is not realised. Furthermore, we note that judgment is applied by management whether the costs that are capitalised in the year meet the criteria in IAS 38. This risk is set out in the critical accounting estimates and areas of judgement included in Note 2. (Group)	We have considered whether the amounts capitalised in the year of £0.6m meet the criteria for capitalisation set out in IAS 38. This included meeting with appropriate members of management involved with the projects to understand the nature of them and testing on a sample basis the specific costs capitalised. The development costs relate to the trading platform and therefore underpin the business model of the Group. As a consequence of this together with the fact that the group is currently loss making, we compared the market capitalisation of the Group as a whole as at 31 December 2018 to the carrying value of group's net assets (which in turn includes the Group intangibles). As a result of our work we determined that the judgement of management that the amounts capitalised were not impaired to be reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Maistro Plc Group consists of 3 components with operations centralised in Exeter, UK. The primary trading Company is Maistro UK Limited which accounts for 100% revenue and approximately 97% of consolidated loss before tax. Operations in Maistro Inc. represent less than 1% of consolidated Group loss before tax. The Group audit team audited both Maistro UK Limited and Maistro Plc standalone financial statements obtaining more than 97% coverage of consolidated loss before tax.

Independent auditor's report to the members of Maistro plc (continued)

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	*Company Financial Statements*
Overall materiality	£150,000	£100,000
How we determined it	5% of loss before tax.	1% of total assets but capped by Group materiality
Rationale for benchmark applied	Based on the benchmarks used in the annual report, loss before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	We believe that total assets is the primary measures used by shareholders in assessing the performance of the entity due its purpose as a holding company with limited transactions and is a generally accepted auditing benchmark but capped to ensure less than overall Group materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated to both components was £100,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6,000 (Group audit) and £6,000 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report to the members of Maistro plc (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities set out on page 25, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditor's report to the members of Maistro plc (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
22 March 2019

Consolidated Statement of Total Comprehensive Income
for the year ended 31 December 2018

	Note	2018 £	2017 £
Revenue	3	**1,501,560**	592,018
Cost of sales		**(1,370,886)**	(491,755)
Gross profit/(loss)		**130,674**	100,263
Total administrative expenses	4	**(3,202,754)**	(2,500,478)
Loss from operations		**(3,072,080)**	(2,400,215)
Finance income	7	**8,168**	3,360
Finance expense	7	**(96)**	(16)
Loss before tax		**(3,064,008)**	(2,396,871)
Tax credit	8	**158,813**	146,396
Loss for the year attributable to equity holders of the Parent Company		**(2,905,195)**	(2,250,475)

Consolidated Statement of Total Other Comprehensive Income for the year ended 31 December 2018		2018 £	2017 £
(Loss) for the year		**(2,905,195)**	(2,250,475)
Other comprehensive income			
Exchange gains/(losses) arising on the translation of foreign subsidiaries (could subsequently be reclassified to profit and loss)		**(269)**	(458)
Total comprehensive losses attributable to equity holders of the Parent Company		**(2,905,464)**	2,250,933)
Basic and diluted loss per share for losses attributable to the owners of the parent during the year	9	**(0.02)**	(0.02)

The results reflected above relate to continuing activities.

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	10	**24,000**	25,269
Intangible assets	11	**1,222,449**	1,368,423
Total non-current assets		**1,246,449**	1,393,692
Current assets			
Trade and other receivables	12	**663,445**	387,338
Tax receivable		**159,455**	151,775
Cash and cash equivalents		**1,091,383**	2,454,191
Total current assets		**1,914,283**	2,993,304
Total assets		**3,160,732**	4,386,996
Current liabilities			
Trade and other payables	13	**1,030,472**	856,100
Social security and other taxes		**84,968**	57,737
Loans and borrowings	14	**-**	10,000
Total current liabilities		**1,115,440**	923,837
Total liabilities		**1,115,440**	923,837
Net assets		**2,045,292**	3,463,159
Issued capital and reserves attributable to owners of Parents			
Called up share capital	15	**3,071,058**	1,770,926
Share premium	15	**24,332,215**	24,334,182
Equity conversion reserve		**11,119**	5,559
Merger reserve		**1,061,789**	1,061,789
Share-based payment reserve	15	**404,199**	220,317
Warrant Reserve	15	**297**	307
Foreign exchange reserve		**(9,921)**	(9,652)
Retained losses		**(26,825,464)**	(23,920,269)
		2,045,292	3,463,159

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 March 2019 and were signed on its behalf by:

David Rowe
Chairman

Company Registration Number: 08188404

The accompanying notes are an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Called Up Share Capital	Share Premium	Equity Conversion Reserve	Merger Reserve	Share-based Payment Reserve	Warrant Reserve	Foreign Exchange Reserve	Retained Loss	Total
	£	£	£	£	£	£	£	£	£
Equity as at 1 January 2017	**470,926**	**22,878,031**	**5,559**	**1,061,789**	**786,730**	**-**	**(9,194)**	**(21,669,794)**	**3,524,047**
Loss for the period	-	-	-	-	-	-	-	(2,250,475)	(2,250,475)
Other comprehensive loss for the year	-	-	-	-	-	-	(458)	-	(458)
Total comprehensive income/(loss)	470,926	22,878,031	5,559	1,061,789	786,730	-	(9,652)	(23,920,269)	1,273,114
Issue of Ordinary Shares	1,300,000	1,649,693	-	-	-	307	-	-	2,950,000
Issue costs recognised in equity	-	(193,542)	-	-	-	-	-	-	(193,542)
Share-based payments*	-	-	-	-	(566,413)	-	-	-	(566,413)
Equity as at 31 December 2017	**1,770,926**	**24,334,182**	**5,559**	**1,061,789**	**220,317**	**307**	**(9,652)**	**(23,920,269)**	**3,463,159**
Loss for the period	-	-	-	-	-	-	-	(2,905,195)	(2,905,195)
Other comprehensive income for the year	-	-	-	-	-	-	(269)	-	(269)
Total comprehensive income/(loss)	-	-	-	-	-	-	(269)	(2,905,195)	(2,905,464))
Issue of Ordinary Shares	1,300,132	129,749	-	-	-	(10)	-	-	1,429,871
Issue costs recognised in equity	-	(131,716)	-	-	-	-	-	-	(131,716)
Share-based payments	-	-	-	-	183,882	-	-	-	183,882
Conversion of convertible debt	-	-	5,560	-	-	-	-	-	5,560
Equity as at 31 December 2018	**3,071,058**	**24,332,215**	**11,119**	**1,061,789**	**404,199**	**297**	**(9,921)**	**(26,825,464)**	**2,045,292**

* During 2017 a number of share options were forfeited, and as a result any remaining balances relating to these arrangements in the share-based payment reserve were transferred to the Statement of Comprehensive Income The presentational currency in 2017 was in US Dollars. Upon translation to GBP Sterling the 2017 balances transferred to retained earnings was £nil.

Consolidated Statement of Cash flows

for the year ended 31 December 2018

	Note	2018 £	2017 £
Loss after taxation		**(2,905,195)**	(2,250,475)
Interest (income)/expense (net)	7	**(8,072)**	(3,344)
Income tax credit		**(158,813)**	(146,396)
Fair value movement		**4,388**	(590)
Depreciation of property, plant and equipment	10	**16,865**	9,563
Amortisation of intangible assets	11	**758,463**	876,886
Share-based payments charge/(credit)	5	**183,882**	(566,413)
(Profit)/loss on disposal of property, plant and equipment	4	**-**	924
Cash outflows from operating activities before changes in working capital		**(2,108,482)**	(2,079,845)
(Increase)/decrease in trade and other receivables		**(276,107)**	(171,192)
Increase/(decrease) in trade and other payables		**191,603**	271,193
Cash used from operations		**(2,192,986)**	(1,979,844)
Interest received		**8,168**	3,360
Interest paid		**(96)**	(16)
Income tax R&D credit received		**151,133**	199,658
Net cash used from operations		**(2,033,781)**	(1,776,842)
Purchase of property, plant and equipment		**(15,596)**	(26,276)
Proceeds on disposal of property, plant and equipment		**-**	-
Investment in intangible assets	11	**(612,489)**	(530,148)
Net cash used in investing activities		**(628,085)**	(556,424)
Issue of share capital	15	**1,429,871**	2,950,000
Issue cost of shares	15	**(131,716)**	(193,542)
Net cash generated in financing activities		**1,298,155**	2,756,458
Net (decrease)/increase in cash and cash equivalents		**(1,363,711)**	423,192
Cash and cash equivalents at beginning of period		**2,454,191**	2,030,867
Effect of foreign exchange translation on cash and equivalents		**903**	132
Cash and cash equivalents at end of period		**1,091,383**	2,454,191

Notes to the Consolidated Financial Information

1. Accounting Policies

Maistro plc is a public limited company quoted on AIM and incorporated and domiciled in the UK.

Basis of Preparation
The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, except for the change in presentational currency from US Dollars to GBP Sterling.

The consolidated Financial Statements of the Group have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS), and interpretations issued by the IFRS Interpretation Committee (IFRSIC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

The preparation of Financial Statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in Note 2.

The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiaries (together referred to as "the Group"). The Parent company Financial Statements present information about the Company as a separate entity and not about its Group.

Going Concern
The Group's Financial Statements have been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The Group focuses on large national and multi-national entities ("Enterprise") rather than smaller customers and has made significant progress in signing up new Enterprise customers over the past year. The Directors recognise that building the Enterprise business and making the Group sustainably profitable and cash generative is a medium-term goal that may require further funding to be raised in the future. The Directors and major shareholders continue to support the Group to achieve its objectives.

The Group recorded a loss from operations in the year of £3.1m and had cash of £1.1m as at 31 December 2018. In January 2019 the Group received further placing proceeds of £0.9m net of issue costs. Cash burn excluding financing for 2019 is forecast to be £1.5m (2018: £2.7m) and positive in 2020. Cash at the end of 2019 and 2020 is forecast to be £0.8m and £1.9m respectively.

The Directors have prepared cash flow forecasts for a period of more than 12 months from the signing date of this report. The forecasts exclude the effect of any cash inflows from the exercise of the Group's warrants, in part because the exercise price is higher than the current share price.

The forecasts contain assumptions including significant growth in future revenue, both in project revenues and premium services; the cost model; and margins. The Directors recognise that the forecasts contain assumptions that are inherently uncertain, and should the assumed growth and margin improvements not be achieved, further funding will be required which is not in the control of the Group. The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group and Company's ability to continue as a going concern and that therefore the Group and Company may be unable to continue realising their assets and discharging their liabilities in the normal course of business.

Nevertheless, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue for at least 12 months from the date of approval of these Financial Statements. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Notes to the Consolidated Financial Information (continued)

Basis of consolidation
Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated Financial Statements present the results of the Company and its subsidiaries (the Group) as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated Financial Statements incorporate the results of business combinations using the purchase method. In the Consolidated Statement of Financial Position, the acquirees' identifiable assets, liabilities, and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained.

Inter-company transactions, balances and unrealised gains and losses (where they do not provide evidence of impairment of the asset transferred) on transactions between Group companies are eliminated.

Functional and Presentation Foreign Currency
The functional currency of Maistro Group Plc and Maistro UK Ltd is GBP Sterling, whereas of Maistro US Inc. it is US Dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income in either cost of sales or administrative expenses as appropriate.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity. Exchange differences are recycled to profit or loss as a reclassification adjustment upon disposal of the foreign operation.

Change in presentation currency
As part of a review, the Board concluded that from the beginning of the current financial year it would be changing the currency in which it presents its Financial Statements from US Dollars to GBP Sterling. Accordingly, the reported results for the year ended 31 December 2018 and 31 December 2017 have been translated from US Dollars to GBP Sterling using the following exchange rates:

Exchange rates used USD: GBP	Year ended 31 December 2018	Year ended 31 December 2017
Average rate	1.2778	1.3284
Year-end rate	1.2736	1.3493

Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group
The Group has applied any applicable new standards, amendments to standards and interpretations that are mandatory for the financial year beginning on or after 1 January 2018. However, none of them has a material impact on the Group's Consolidated Financial Statements.

Notes to the Consolidated Financial Information (continued)

Changes in Accounting Policies and Disclosures (continued)

(b) Impact of IFRS 15 – Revenue from contracts with customers

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management have assessed the impact of the adoption of IFRS 15 in detail and conclude that there is no material impact on the Group's consolidated Financial Statements. Further there was no impact on prior year revenue. The approach was to undertake a detailed assessment of the core principles of IFRS 15 and test these against the existing revenue recognition policy for each type of revenue, Conclusions were as follows:

Step 1 - Identify the contract with the customer
A contract with a customer will be within the scope of IFRS 15 if all of the following conditions are met:

- The contract has been approved by the parties to the contract.
- Each party's rights in relation to the goods/services to be transferred can be identified.
- The payment terms for the goods or services to be transferred can be identified.
- The contract has commercial substance.
- It is probable that the consideration to which the entity is entitled to in exchange for the goods/services will be collected.

Maistro conclusions

- Maistro captures the full scope of any project within the project Statement of Work (SOW) with the customer. The SOW includes project scope, deliverables, performance obligations, pricing, payment terms, premium services (where applicable), subscriptions & license's (where applicable) and terms & conditions for each contracted party (incorporating cancellation fees). The customer is required to agree to the Terms & Conditions of the SOW before a project commences.
- The specific Terms and Conditions in respect of each parties' rights are captured in the SOW, detailed terms and conditions of service are embedded within the SOW document and may be further supported by a Master Service Agreement.

Step 2 - Identify the performance obligations within the contract
At the inception of the contract, the entity should assess the goods or services that have been promised to the customer, and identify as a performance obligation:

- A good or service (or bundle of goods and services) that is distinct, or
- A series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Maistro conclusions

- Contracted project performance obligations are captured within each SOW. The SOW provides a detailed breakdown of all contracted performance obligations within each contracted project, aligned to a specific cost and date of delivery.
- Where it is not possible to provide a detailed breakdown, due to the nature of the contracted project, the SOW captures a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

Step 3 - Determine the transaction price
The transaction price is the amount to which an entity expects to be entitled in exchange for the transfer of goods and services. When making this determination, an entity will consider past customary practices.

Maistro conclusions

- The transaction price is clearly stated and agreed in the SOW for all contracted projects.

Notes to the Consolidated Financial Information (continued)

(b) Impact of IFRS 15 – Revenue from contracts with customers (continued)

Step 4 - Allocate the transaction price to the performance obligations in the contracts
Where a contract has multiple performance obligations, an entity will allocate the transaction price to the performance obligations in the contract by reference to the relative standalone selling prices. If a standalone selling price is not directly observable, the entity will need to estimate it.

Maistro conclusions

- Transaction prices are typically attached to specific performance obligations within the SOW.
- Where transaction prices cannot be attached to specific performance obligations (due to the specific nature of the project), then these are estimated, based on discussions with the Delivery team to allocate reasonable value to each stage of the project.
- Maistro does not offer discounts compared to the aggregate of standalone selling prices, as standalone selling prices are not considered during the project pitch process.
- Maistro does not enter into contracted projects where consideration would be receivable or payable greater than 12 months.

Step 5 - Recognise revenue when (or as) the entity satisfies a performance obligation
Revenue is recognised as control is passed, either over time or at a point in time.

Maistro conclusions

- Each contracted project undergoes an assessment to determine the relevant applicable revenue recognition methodology to be applied.
- The assessment principally considers the project type, performance obligations, nature of deliverables, project duration and commercial value.
- Project type is critical to the revenue recognition methodology applied:
  - Event-based projects - i.e. where the project requires the delivery of a specific event-based deliverable, are recognised on a milestone basis. Revenue is recognised at the point in time the event is delivered.
  - Timeline based projects - i.e. where the project is delivered over a period of time. Revenue is recognised on a daily basis over the life of the project.
  - Where Maistro is engaged in projects that have both elements of event-based and timeline deliverables, Maistro assesses the relative weighting of each project deliverable); value and project timescale to determine revenue recognition methodology and makes a reasonable commercial judgement as to the method to apply. Example projects may include the creation of an asset followed by a period of management or further development of that asset.

(c) Impact of IFRS 16 - Leases
IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Management have assessed the impact of the adoption of IFRS 16 in detail and conclude that there is no material impact on the Group's consolidated Financial Statements. Further there was no impact on prior year comparatives. As at 31 December 2018 the group was committed only to short term leases.

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

(d) Impact of IFRS 9 – Financial Instruments
IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Group has assessed the impact of IFRS 9 in detail and concludes that there is no material impact on its consolidated results or financial position but that it has resulted in increased disclosure.

Notes to the Consolidated Financial Information (continued)

(e) New, amended standards, interpretations not adopted by the Group
The following Adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements. The full impact of their adoption has not yet been fully assessed; however, management do not expect the changes to have a material effect on the Financial Statements unless otherwise indicated:

- Annual Improvements to IFRSs – 2015-2017 Cycle (1 January 2019)
- Amendments to IAS 1 and IAS 8 – on definition of materiality (1 January 2019)
- Amendments to IAS 19 – employees benefits plan amendments, curtailments or settlements
- Amendments to IAS 28 on long term interests in associates and joint ventures
- Amendments to IFRS 3 "Business combinations" on definition of a business
- Amendments to IFRS 9, financial instruments on prepayment features with negative compensation
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed)
- Amendments to IAS 40 Investment Property (effective date to be confirmed)
- IFRIC 23 Uncertainty over Income Tax Treatments (1 January 2019)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective date to be confirmed)
- IFRS 17 Insurance contracts (1 January 2021)

Revenue Recognition
Revenue represents the gross value of services provided to customers in respect of revenue earned, net of discounts and sales taxes.

There are three principal sources of revenue:

Project Revenue
Being revenue from projects that list on Maistro's marketplace, where the customer, in conjunction with Maistro, selects the service provider and a legally binding contract between Maistro and its customers is established within a Statement of Work (SOW). At this stage Maistro has assumed the principal contractual responsibility to deliver the agreed services, the delivery of the service has commenced, and project revenue recognition commences.

Project revenue is recognised on either a timeline, or milestone basis.

Premium Services
Comprising wraparound support services for projects including enhanced and accelerated procurement services. Revenue is recognised in alignment to the parent project as control is passed, either over time, or at a point in time.

Subscription & Licence Fees
Customers pay for a licence to access the global Marketplace of pre-vetted suppliers. This allows users to log onto their personalised dashboard where they can place orders, review status tracking, create tasks and manage purchase orders. The cloud-based user dashboard is specifically designed to for quick deployment without the need for integration.

Subscription fees relating to tiered annual subscriptions to service providers were terminated during 2017. 2018 revenue primarily represents that completion of legacy subscriptions.

Notes to the Consolidated Financial Information (continued)

Accrued and Deferred Income & Cost of Sales
Accrued and deferred income and cost of sales arise due to timing differences in the recognition of revenue and cost of sales compared to the underlying invoice transactions.

Fair Value Hierarchy
All financial instruments measured at fair value must be classified into the levels below:

- Level 1: Quoted prices, in active markets.
- Level 2: Fair Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are not based on observable market data.

Trade Receivables
Trade receivables are amounts due from customers for services provided in the ordinary course of business. They are generally due for settlement within 60 days and are therefore all classified as current. Trade receivables are recognised initially as the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

Cash and Cash Equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purpose of the statement of cash flows – bank overdrafts or outstanding credit card balances.

Convertible Debt
The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially recognised and attributed to the debt component equals the discounted redemption value of the financial instrument, discounted at a deemed market rate of interest (the effective interest rate) and not the financial instrument's coupon rate. The deemed rate of interest utilised in the estimation was compared to the rate of interest that was payable on similar debt instruments that do not include an option to convert.

Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the convertible loan. The remainder of the proceeds are allocated to the equity reserve within shareholders' equity, net of income tax effects.

Share Capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group only has one class of Ordinary shares, denominated as £0.01 (2017: £0.01) Ordinary shares, as set out in Note 15. The Company's Ordinary shares are classified as equity instruments.

Notes to the Consolidated Financial Information (continued)

Leases
Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised, at the lease's inception. at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee 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.

Property, Plant and Equipment
Items of property, plant and equipment are initially recognised at cost.

Depreciation is provided on all items of property, plant and equipment so as to write-off their carrying value over their expected useful economic lives. It is provided at the following rates:

Furniture, fixtures and fittings & leasehold improvements	33% per annum straight line; or the remaining life of lease if shorter
Computer equipment	33% per annum straight line
External software	33% per annum straight line

Intangible Assets
The development of the PaaS Platform is capitalised as an intangible asset. Development activities involve a planned investment in the development and enhancement of the PaaS Platform. The development expenditure of the PaaS Platform is recognised as intangible assets when the following criteria are met:

1. It is technically feasible to complete the development of the platform so that it will be available for use.
2. Management intends to complete and use or sell the platform.
3. There is an ability to use or sell the platform.
4. It can be demonstrated how the platform will generate future economic benefits.
5. Adequate technical, financial and other resources to complete the development of the platform and to use or sell the use of the platform are available.
6. The expenditure attributable to development of the platform can be measured reliably.

Expenditure being capitalised includes internal staff time and cost spent directly on developing the PaaS Platform. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment costs. The amortisation period is over 48 months on a straight-line basis and is included within Administrative costs.

Each version released has built incrementally on the prior release (as opposed to being a completely new platform) so no prior costs have been written-off.

Expenditure that does not meet the above criteria are expensed as incurred within Administrative expenses.

Notes to the Consolidated Financial Information (continued)

Taxation
Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Current taxes are based on the results shown in the Financial Statements and are calculated according to local tax rules, using tax rates enacted or substantively enacted by the reporting date. During the year, the current tax charge is nil as there are tax losses for the year. R&D credits are recognised as and when eligible, within the tax charge/credit in the Financial Statements in accordance with IAS 12.

Deferred tax is recognised in respect of relevant temporary differences that have originated but not reversed at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Management has elected not to recognise the deferred tax asset due to the lack of certainty of future profitability as the Group is still in its early stage of maturity.

The deferred tax asset on shares and share option charges is affected by the difference between the grant price of the shares and share options and the market price of the Company's shares at the accounting year end. If the market value of the shares at the date of exercise were to be lower than the market value at the account year end the amount of tax relief obtained would be less than anticipated in the deferred tax calculations.

Share-based Payments
The Company operates two option schemes, namely an unapproved option scheme and an Enterprise Management Incentive ('EMI') scheme.

In compliance with the requirements of IFRS 2 on share-based payments, the fair value of options granted during the period or which were granted in previous periods but had an extended period before vesting is calculated either using the Black Scholes option pricing model or on the basis of the fair value of remuneration waived in consideration for the grant.

Further, as disclosed in the 2017 Annual Report, options over Ordinary shares were expected to be granted by the Board to David Rowe, Chairman, as part of his incentive-based remuneration package. On 20 March 2018, these options were granted.

In compliance with the requirements of IFRS 2 on share-based payments, the fair values of the options issued to the Chairman were estimated at the grant date using the share price at the grant date less the exercise price, multiplied by the probabilities of vesting, which reflect the market vesting conditions. The market vesting probabilities were determined using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation process that takes into account the terms and conditions on which the options were granted (the exercise price, the term of the option, the share price at the grant date, the vesting conditions, the expected volatility of the underlying share, the expected dividend yield, and the short-term risk-free rate over the term of the option).

Warrants
In accordance with IAS 32 'Financial instruments', the group reflects the fair value of warrants issued to shareholders by recording the fair value in the warrant reserve account.

Fair value of the warrants is calculated at transaction date, based on the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments therein.

Notes to the Consolidated Financial Information (continued)

2. Critical Accounting Estimates and Judgements

In preparing the Financial Statements, the Directors make certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Judgments

(a) Going concern
As set out in Note 1 the Directors have prepared a cash flow forecast covering a period extending 12 months from the date of approval of these Financial Statements which shows that the Group will have sufficient cash to meet its debts as they fall due for 12 months. The forecasts exclude the effect of any cash inflows from the exercise of the Group's warrants, in part because the exercise price is higher than the current share price.

The Group has made significant progress during 2018. Cash forecasts through to December 2020 are based on continued sequential growth in revenues combined with increased investment in technology development and sales functions. Cash burn excluding financing for 2019 is forecast to be £1.5m (2018: £2.7m) and positive in 2020.

The Group focuses on large national and multi-national entities ("Enterprise") rather than smaller customers and has made significant progress in signing up new Enterprise customers over the past year. The Directors recognise that building the Enterprise business and making the Group sustainably profitable and cash generative is a medium-term goal that may require further funding to be raised in the future. The Directors and major shareholders continue to support the Group to achieve its objectives.

The forecasts contain assumptions including significant growth in future revenue, both in project revenues and premium services; the cost model; and margins. The Directors recognise that the forecasts contain assumptions that are inherently uncertain, and should the assumed growth and margin improvements not be achieved, further funding will be required which is not in the control of the Group.

Notes to the Consolidated Financial Information (continued)

(b) Revenue recognition

Revenue is recognised on a gross basis, as our evaluation and assessment of the indicators under IFRS 15 supports the fact that Maistro is acting as principal. The factors that are considered and prove decisive in the conclusion of this assessment include the following:

- Maistro has the latitude to agree the fee for each project;
- Maistro has primary responsibility for providing the services to a customer;
- Maistro is responsible for the quality of the service delivery, delivered on time, budget and to a sufficiently high standard. This includes the management of the service delivery of the supplier; and
- Maistro facilitates both commercial terms and the project management for each project.

Although Maistro passes on some of the credit risk to the supplier it engages to deliver the services to its customers, Maistro does not consider this is sufficiently persuasive in light of the other factors noted above to suggest that accounting for the transaction as principal is not appropriate.

Maistro recognises revenue as control is passed to the customer, either over time or at a point in time.

Non-significant other estimates

(a) Intangible assets

Intangible assets include the capitalised development costs of the PaaS Platform. These costs are assessed based on management's view of the technology team's time spent on projects that enhance the PaaS Platform, supported by internal time recording and considering the requirements of IAS 38 'Intangible assets'. The development cost of the PaaS Platform is amortised over the useful life of the asset. The useful life is based on the management's estimate of the period that the asset will generate revenue, which is reviewed on a project by project basis for continued appropriateness and is one of the key assumptions involved in determining the value of these assets. The carrying value is tested for impairment when there is an indication that the value of the assets might be impaired. The impairment tests also require assumptions about future events which require management judgement. Changes in those assumptions could result in a materially different amortisation charge, or an impairment, in future years depending on the circumstances prevailing at that time.

(b) Share-based payments

The fair value of share options is calculated using the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The fair values of the Chairman's options were estimated at the grant date using the share price at the grant date less the exercise price, multiplied by the probabilities of vesting, which reflect the market vesting conditions. The market vesting probabilities were determined using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation process that takes into account the terms and conditions on which the options were granted (the exercise price, the term of the option, the share price at the grant date, the vesting conditions, the expected volatility of the underlying share, the expected dividend yield, and the short-term risk-free rate over the term of the option).

Notes to the Consolidated Financial Information (continued)

3. Segmental Analysis

The Group currently has one reportable segment, provision of services, and categorises all revenue from operations to this segment.

The Group currently has three reportable categories which are:

1. Project revenues - for the provision of services from projects that list on Maistro's marketplace, where the customer accepts the bid from the service provider and a legally binding contract between Maistro and its customers is established;
2. Premium services – comprising wraparound support services for projects;
3. Subscriptions and licences – for the provision of access to Maistro's PaaS Platform. Subscription services relating to tiered annual subscriptions to service providers were terminated in 2017. 2018 revenue primarily relates to the completion of legacy subscriptions.

	Project Revenue		**Premium Services**		**Subscriptions and Licenses**	
	2018	2017	**2018**	2017	**2018**	2017
	£	£	**£**	£	**£**	£
UK	**390,272**	305,142	**2,000**	83,892	**7,954**	40,228
USA	**16,006**	22,373	**2,350**	77	**1,169**	3,994
Rest of World	**1,077,018**	128,699	**-**	-	**4,791**	7,613
Total	**1,483,296**	456,214	**4,350**	83,969	**13,914**	51,835

The Group operates in three main geographic areas: UK, USA and Rest of the World.

Revenue and non-current assets by origin of geographical segment for all entities in the Group is as follows:

	Revenue		**Non-current assets**	
	2018	2017	**2018**	2017
	£	£	**£**	£
UK	**400,226**	429,262	**1,246,449**	1,393,692
USA	**19,525**	26,444	**-**	-
Rest of World	**1,081,809**	136,312	**-**	-
Total	**1,501,560**	592,018	**1,246,449**	1,393,692

The total loss from operations of £3.1m (2017: £2.4m) predominantly relates to project revenue which makes up 99% of revenue. The vast majority of the costs of sales and overheads for 2018 relate to the head office in the UK. Given this, the Directors consider the split of costs across geographical segments would be arbitrary and judgmental. Therefore, they consider reporting the loss by geographical segment could be misleading in this phase of Maistro's development.

Notes to the Consolidated Financial Information (continued)

Segmental Analysis (continued)

Revenue relating to specific territories amounting to 10% or more of revenue includes:

	Revenue	
	2018	2017
	£	£
UK	**400,226**	429,262
Malaysia	**241,955**	-
Italy	**158,697**	-
Belgium	**-**	89,153
Total	**800,878**	518,415

Revenues derived from single external customers amounting to 10% or more of revenue include:

- £857,425 (2017: £32,725) revenue from a single external Enterprise customer. These revenues are attributable to project revenue.
- £322,071 (2017: £201,271) revenue from a single external Enterprise customer. These revenues are attributable to project revenue.

4. Loss from Operations

The operating loss as at 31 December 2018 is stated after charging/(crediting):

	2018	2017
	£	£
Auditor's remuneration:		
Audit fees – Subsidiaries	**20,000**	20,000
– Company	**25,000**	25,000
Non-audit fees – taxation advisory and compliance services	**14,000**	17,401
Bad debt provision	**(12,887)**	(5,993)
Amortisation of intangibles	**758,463**	876,886
Depreciation of property, plant and equipment	**16,865**	9,563
(Profit)/loss on disposal of property, plant and equipment	**-**	924
Staff costs (Note 6)	**1,536,216**	619,719
Operating lease expense – buildings	**6,826**	79,411
Foreign exchange (gains)/losses	**512**	(2,459)
Other administrative expenses	**918,806**	990,317

Notes to the Consolidated Financial Information (continued)

5. Adjusted EBITDA

Loss before interest, tax, depreciation and amortisation is calculated as follows:

	2018	2017
	£	£
Loss from operations	**(3,072,080)**	(2,400,215)
Amortisation of intangibles	**758,463**	876,886
Depreciation of property, plant and equipment	**16,865**	9,563
Loss on disposal of property, plant and equipment	**-**	924
Foreign exchange (gains)/ losses	**512**	(2,459)
Share-based payments	**183,882**	(566,413)
Adjusted EBITDA	**(2,112,358)**	(2,081,714)

6. Staff Costs

Staff costs (including Directors emoluments) incurred in the year were as follows:

	2018	2017
	£	£
Wages and salaries	**1,391,053**	1,322,804
Social security costs	**166,540**	152,555
Employers' pension contributions	**7,955**	4,272
Share-based payments	**183,882**	(566,413)
Gross staff costs	**1,749,430**	913,218
Less: Amounts capitalised:		
Wages and salaries	**(188,721)**	(262,859)
Social security costs	**(22,811)**	(30,640)
Employers' pension contributions	**(1,682)**	-
	(213,214)	(293,499)
Net Staff Costs	**1,536,216**	619,719
Amounts attributable to costs of sale		
Wages and salaries	**(72,355)**	(118,140)
Social security costs	**(8,048)**	(12,151)
Employers' pension contributions	**(644)**	-
	(81,047)	(130,291)

Notes to the Consolidated Financial Information (continued)

Staff Costs (continued)

The average monthly number of employees during the period was as follows:

	2018 Number	2017 Number
Directors	**5**	6
Staff		
Administration	**5**	6
Customer Services	**4**	3
Marketing	**2**	3
Sales	**1**	1
Technology	**4**	5
	21	24

	2018 £	2017 £
Key management personnel		
Emoluments and compensation	**419,500**	358,703
Employers social security	**57,424**	40,740
	476,924	399,443
Share-based payments	**173,810**	26,630
Other benefits	**5,616**	-
Company pension contributions to defined contribution schemes	**1,039**	595
	657,389	426,668

Key management personnel comprise of the Board of Directors, as detailed in the table on page 15. Details about the composition of the Directors' emoluments and the Directors' interest in share options of the Company are set out on pages 17-18. The information on these pages' forms part of this note to the Financial Statements.

During the year the Directors were awarded a total of 1,770,928 share options (2017: 4,975,285) at a weighted average exercise price of £0.04 (2017: £0.046).

No share options were exercised during the year. Remuneration disclosed above includes the following amounts paid to the highest paid Director:

	2018 £	2017 £
Highest paid Director		
Emoluments and compensation	**180,000**	91,811
	180,000	91,811
Share-based payments	**67,421**	26,630
Other benefits	**2,808**	-
Company pension contributions to defined contribution schemes	**703**	157
	250,932	118,598

In the year ended 31 December 2018 the highest paid Director received no share options (2017: 4,975,285). No share options were exercised by this Director in the current financial year (2017: nil).

Notes to the Consolidated Financial Information (continued)

7. Finance Income and Expenses

	2018 £	2017 £
Finance income		
Interest from bank	**8,168**	3,360
	8,168	3,360
Finance expense		
Interest payable	**(96)**	(16)
	(96)	(16)

Notes to the Consolidated Financial Information (continued)

8. Income Tax

Analysis of the Tax Credit

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2018 nor for the year ended 31 December 2017. However, a receivable cash tax credit in respect of the UK R&D activity has been recognised.

The R&D Tax Credit receipt from HMRC is expected to be received within a few months of the submission of the corporate tax return for Maistro UK Limited.

A liability for overseas tax has been recognised on ordinary activities for the year ended 31 December 2018 in respect of Maistro US Inc. The Directors have considered the impact of recent US tax reforms and do not consider the reforms will materially impact the Group given the current level of revenue and operations in the US.

	2018	2017
	£	£
Tax credit - current year	**159,455**	151,775
- prior year	**(55)**	12,543
Overseas tax	**(587)**	(17,922)
	158,813	146,396

Factors Affecting the Tax Charge

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to the result for the year are as follows:

	2018	2017
	£	£
Loss before tax	**(3,064,008)**	(2,396,871)
Tax credit at 19% (2017: 19.25%)	**582,162**	461,398
Non-deductible expenses and income	**(35,243)**	108,803
Accelerated (depreciation)/capital allowance	**(3,204)**	(1,841)
Other overseas taxes	**-**	(13,302)
Higher tax rates on overseas earnings	**(56)**	(1,063)
Losses carried forward	**(544,246)**	(571,917)
Prior year R&D tax credit	**(55)**	12,543
Current year R&D tax credit	**159,455**	151,775
Income tax credit	**158,813**	146,396

The Group has carried forward losses and accelerated temporary differences amounting to £27,580,225 as of 31 December 2018 (2017: £18,104,745). As the timing and extent of taxable profits are uncertain, the potential deferred tax asset of £4,688,638 (2017: £3,077,807) arising on these losses (at 17% future tax rate) and accelerated timing differences has not been recognised in the Financial Statements.

Notes to the Consolidated Financial Information (continued)

9. Loss Per Share

Loss per Ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The basis for calculating the basic loss per share is as follows:

	2018 **£**	2017 £
Weighted average number of shares for the purpose of earnings per share	**187,502,788**	95,750,385
Loss after tax	**(2,905,195)**	(2,250,475)
Loss per share	**(0.02)**	(0.02)

Due to the loss in the period the effect of the share options was considered anti-dilutive and hence no diluted loss per share information has been provided.

Notes to the Consolidated Financial Information (continued)

10. Property, Plant and Equipment

	Computer Equipment £	Furniture, Fixtures and Fittings £	Total £
COST			
At 1 January 2017	69,315	60,201	129,516
Additions	708	25,568	26,276
Disposals	(57,992)	(60,201)	(118,193)
At 31 December 2017	**12,031**	**25,568**	**37,599**
Additions	10,260	5,336	15,596
Disposals	-	-	-
At 31 December 2018	**22,291**	**30,904**	**53,195**
DEPRECIATION			
At 1 January 2017	63,192	56,844	120,036
Charge for period	4,809	4,667	9,476
Disposals	(57,992)	(59,190)	(117,182)
At 31 December 2017	**10,009**	**2,321**	**12,330**
Charge for period	3,047	13,818	16,865
Disposals	-	-	-
At 31 December 2018	**13,056**	**16,139**	**29,195**
NET BOOK VALUE			
At 31 December 2018	**9,235**	**14,765**	**24,000**
At 31 December 2017	**2,022**	**23,247**	**25,269**

Notes to the Consolidated Financial Information (continued)

11. Intangible Assets

	PaaS Platform £	Software Development £	Total £
COST			
At 1 January 2017	3,434,474	206,443	3,640,917
Additions – Internal Development	527,224	-	527,224
Additions – External Costs	-	2,924	2,924
Disposals	-	-	-
At 31 December 2017	**3,961,698**	**209,367**	**4,171,065**
Additions – Internal Development	612,041	-	612,041
Additions – External Costs	-	448	448
Disposals	-	-	-
At 31 December 2018	**4,573,739**	**209,815**	**4,783,554**
AMORTISATION			
At 1 January 2017	1,767,028	158,728	1,925,756
Charge for period	831,916	44,970	876,886
Disposals	-	-	-
At 31 December 2017	**2,598,944**	**203,698**	**2,802,642**
Charge for period	754,465	3,998	758,463
Disposals	-	-	-
At 31 December 2018	**3,353,409**	**207,696**	**3,561,105**
NET BOOK VALUE			
At 31 December 2018	**1,220,330**	**2,119**	**1,222,449**
At 31 December 2017	**1,362,754**	**5,669**	**1,368,423**

12. Trade and Other Receivables

	2018	2017
	£	£
Trade receivables – gross	**469,081**	210,346
Provision for loss allowance	-	(27,527)
Trade receivables – net	**469,081**	182,819
Prepayments	**112,161**	103,896
Accrued income	**5,925**	47,739
Other receivables	**76,278**	52,884
	663,445	387,338

As at 31 December 2018 trade receivables of £66,347 (2017: £42,133) were past due but no provision for loss allowance had been made. See Note 21 for the Group's assessment of the exposure to risk.

All amounts shown under receivables are due within one year.

13. Trade and Other Payables

	2018	2017
	£	£
Current		
Trade payables - Service Providers	**122,463**	207,654
Trade payables – Overheads	**282,311**	203,950
Other payables	**110,342**	56,395
Deferred revenue	**52,137**	77,832
Accruals – Service Providers	**183,005**	56,607
Accruals – Overheads	**280,214**	253,662
	1,030,472	856,100

Notes to the Consolidated Financial Information (continued)

14. Loans and Borrowings

	2018	2017
	£	£
Unsecured convertible loan note		
Current	-	10,000
Total loans and borrowings	-	10,000

Book value approximate to fair value for the convertible debt and is stated at fair value at initial recognition and at amortised cost subsequently.

The convertible loan notes (referred to as convertible debt II) were issued in 2011 with a coupon rate of 15% at a total face value of US$78,010. The loan notes were either repayable in four years from the issue date at its total face value, with interest accrued and payable as ordinary shares issued in the Company or could be converted at any time within two years into shares at the holder's option. The value of the liability component and the equity conversion component were determined at the date the instrument was issued.

During the period to 31 December 2012 loan note holders converted their loan notes into Ordinary shares of the Company. Only one convertible loan note remained outstanding relating to Peter Tahany. There was an ongoing claim relating to the provision of Mr. Tahany's consultancy services from September 2009 to early 2010. During the period, the Board considered the risk of incurring costs relating to this claim remote, and as such wrote off the liability.

Notes to the Consolidated Financial Information (continued)

15. Share Capital

Share Capital Allotted and Fully Paid Up

Ordinary shares of £0.01 carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling and translated at the historic rate.

The table below shows the movements in share capital for the year:

	Number of shares		Share Capital £		Share Premium £		Warrant Reserve £	
Movement in Ordinary share capital	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Balance at 1 January	**177,092,851**	**47,092,851**	**1,770,926**	470,926	**24,334,182**	22,878,031	**307**	-
Issue of new shares	**130,012,965**	**130,000,000**	**1,300,132**	1,300,000	**129,749**	1,649,693	**(10)**	307
Share issue costs	**-**	**-**	**-**	-	**(131,716)**	(193,542)	**-**	-
Balance at 31 December	**307,105,816**	**177,092,851**	**3,071,058**	1,770,926	**24,332,215**	24,334,182	**297**	307

On 21/08/2018, 2,142,857 Ordinary shares were issued for £75,000 after deducting costs of £nil.

On 04/09/2018, 2,678,515 Ordinary shares were issued for £93,748 after deducting costs of £nil.

On 14/09/2018 191,592 Ordinary shares were issued for £6,706 after deducting costs of £nil.

On 04/12/2018 100,000,000 Ordinary shares were issued for £880,042 after deducting costs of £119,958.

On 17/12/2018 25,000,000 Ordinary shares were issued for £238,242 after deducting costs of £11,758.

The Group does not hold any treasury shares.

Notes to the Consolidated Financial Information (continued)

15. Share Capital (continued)

In 2017 the Group issued securities with warrant rights attached, as follows:

	Warrant Rights 1	Warrant Rights 2
Date of Issuance	1st August 2017	11th October 2017
Number of Ordinary shares issued	100,000,000	30,000,000
Warrant rights attached to Ordinary shares	1 warrant per 4 Ordinary shares issued	1 warrant per 2 Ordinary shares issued
Number of warrant rights	25,000,000	15,000,000
Warrant subscription price	£0.035	£0.06
Initial exercise date	1st August 2018	11th October 2018
Final exercise date	1st August 2019	11th October 2019
Form of purchase	Cash purchase	Cash purchase

16. Subsidiaries

The subsidiaries of the Company, all of which have been included in the consolidated financial information, are as follows:

Name	Principal Activity	Ownership	Registered office address
Maistro US Inc.	Provision of marketing services	100%*	1201 Orange St, STE 600, One Commerce Center, Wilmington, DE 19801, USA
Maistro UK Limited	Provision of services	100%	3 Kew Court, Pynes Hill, Exeter, EX2 5AZ
Maistro Exchange Limited	Dormant company	100%*	3 Kew Court, Pynes Hill, Exeter, EX2 5AZ
Maistro Technology Limited	Dormant company	100%*	3 Kew Court, Pynes Hill, Exeter, EX2 5AZ
Maistro Services Limited	Dormant company	100%*	3 Kew Court, Pynes Hill, Exeter, EX2 5AZ

* These investments are held by Maistro UK Limited.

Notes to the Consolidated Financial Information (continued)

17. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount of capital contributed in excess of the nominal value of each Ordinary share.
Equity conversion reserve	The amount of proceeds on issue of convertible loan notes relating to the equity component.
Share-based payment reserve	Reserve for share-based payments on options granted during the period not yet exercised.
Foreign currency reserve	Foreign exchange translation gains and losses arising on the translation of the Financial Statements from the functional to the presentation currency, including translation gains and losses arising on the translation of net investments in foreign subsidiaries.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Merger reserve	Amount subscribed for share capital in excess of nominal value when shares are issued in exchange for at least a 90% interest in the shares of another Company.
Warrant Reserve	Reserve for warrants granted during the period not yet exercisable. The value represents the fair value at the date of transaction.

18. Leases

The Group's leases consist only of operating leases for office space and staff accommodation. Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£	£
Not later than one year	**34,797**	21,168
Above one year but not later than five years	**-**	-
	34,797	21,168

At 31 December 2018, the Group had no capital commitments in respect of property, plant and equipment.

Notes to the Consolidated Financial Information (continued)

19. Related Party Transactions

The following payments were made to related parties during the period:

	2018	2017
	£	£
Consultancy fees[1,2]	**24,069**	21,323
	24,069	21,323

Out of above balances outstanding at year end in trade payables and accruals are £nil (2017: £nil).

1 Consultancy fees of £nil (2017: £21,323) were paid to Revviva LLC, a company in which K Cardinale has an interest. These were paid for K Cardinale's Director services.
2 Consultancy fees of £24,069 (2017: £nil) were paid to Genetic Code Consulting, a consultancy in which J. Macarty, the spouse of L. Cook, has an interest. These were paid for sales management services.

Related party transactions are not included in compensation costs to key personnel as set out in Note 6, with the exception of payments to Revviva LLC in respect of K Cardinale's Director services.

Revenue or other related receipts from key management personnel (including Directors):

	2018	2017
	£	£
Project revenue[1,2]	-	2,483
	-	2,483

1 Project revenue includes £nil (2017: £515) in revenue recognised for projects carried out on behalf of Letts Estates Limited, a company in which Philip Letts has an interest. The projects were carried out on an arms-length basis. There are no amounts outstanding to or from the Company at the period end.
2 Project revenue includes £nil (2017: £1,968) in revenue recognised for projects carried out on behalf of Tanfield Limited, a company in which Richard Bourne-Arton has an interest. The projects were carried out on an arms-length basis. There are no amounts outstanding to or from the Company at the period end.

Notes to the Consolidated Financial Information (continued)

19. Related Party Transactions (continued)

The Directors received the following warrants in the capacity of a shareholder, rather than in the capacity of a director providing services.

	Warrants at 1 January 2018	Issued	Exercised	Warrants at 31 December 2018	Date of Issue	Subscription Price	Earliest Date of Exercise	Latest Date of Exercise
Laurence Cook	-	-	-	-	-	-	-	-
Ian Cleverly	-	-	-	-	-	-	-	-
David Rowe	2,142,857	-	(2,142,857)	-	01/08/2017	£0.035	01/08/2018	01/08/2019
	1,250,000	-	-	1,250,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Preeti Mardia	214,286	-	-	214,286	01/08/2017	£0.035	01/08/2018	01/08/2019
	250,000	-	-	250,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Richard Rae	1,071,429	-	-	1,071,429	01/08/2017	£0.035	01/08/2018	01/08/2019
	500,000	-	-	500,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Richard Croft	357,143	-	-	357,143	01/08/2017	£0.035	01/08/2018	01/08/2019
	250,000	-	-	250,000	11/10/2017	£0.06	11/10/2018	11/10/2019
Philip Letts	-	-	-	-	-	-	-	-
Kara Cardinale	69,159	-	-	69,159	01/08/2017	£0.035	01/08/2018	01/08/2019
Timothy Allen	-	-	-	-	-	-	-	-
Richard Bourne-Arton	-	-	-	-	-	-	-	-
David John Sherriff	103,739	-	-	103,739	01/08/2017	£0.035	01/08/2018	01/08/2019
Roger de Peyrecave	34,580	-	-	34,580	01/08/2017	£0.035	01/08/2018	01/08/2019
Robert Wirszycz	-	-	-	-	-	-	-	-
Total	**6,243,193**	**-**	**(2,142,857)**	**4,100,336**				

See Note 15 for specific warrant terms.

Notes to the Consolidated Financial Information (continued)

19. Related Party Transactions (continued)

Further, as disclosed in the 2017 Annual Report, options over Ordinary shares were expected to be granted by the Board to David Rowe, Chairman, as part of his incentive-based remuneration package. On 20 March 2018, these options were granted under the following terms:

- **Condition A** - If the Company's share price averages 10 pence or more for 3 consecutive months from the grant date until 31 December 2019 (inclusive), the Chairman will be entitled to subscribe for Ordinary Shares equivalent to 2.5% of the Company's issued share capital at that time.

- **Condition B** - If the Company's share price averages 15 pence or more for 3 consecutive months from the grant date until 31 December 2020 (inclusive), the Chairman will be entitled to subscribe for Ordinary Shares equivalent to 2.5% of the Company's issued share capital at that time.

- **Condition C** - If the Company in any financial year from the grant date until 31 December 2021 (inclusive) becomes EBITDA positive, the Chairman will be entitled to subscribe for Ordinary Shares equivalent to 2.5% of the Company's issued share capital at that time. For the purposes of Condition C, reference to the EBITDA shall be to the earnings before all interest, tax, depreciation, and amortisation for the relevant financial year as stated in the audited Financial Statements.

Notes to the Consolidated Financial Information (continued)

20. Share-based Payments

The Company operates two option schemes, namely an unapproved option scheme and an Enterprise Management Incentive ('EMI') scheme.

At 31 December 2018, the following share options have been granted and are outstanding in respect of the Ordinary shares:

Exercise Price Range	As at 1 January 2018	Granted	Cancelled	**As at 31 December 2018**	Final exercisable date	Contractual life
£0.0365	-	95,000	-	**95,000**	6/2028-12/2028	9.5-10.0 years
£0.0400	-	1,791,928	-	**1,791,928**	4/2028-12/2028	9.4-10.0 years
£0.0425-£0.065	**8,901,660**	-	610,400	**8,291,260**	9/2027-12/2027	8.8-9.0 years
£0.0388-£0.15	**230,000**	-	-	**220,000**	6/2026-12/2026	7.5-8.0 years
£0.18-£2.40	**457,300**	-	126,000	**331,300**	4/2022-12/2025	3.3-7.0 years
£5.74-£7.93	**4,000**	-	4,000	-	1/2024	5.0-5.1 years
	9,592,960	1,886,928	740,400	**10,729,488**		
Weighted average exercise price	£0.07	£0.04	£0.16	£0.06		

Notes to the Consolidated Financial Information (continued)

20. Share-based payments (continued)

At the 31 December 2018, 10,729,488 (2017: 9,573,960) options were in existence, 10,573,188 (2017: 9,417,660) under EMI scheme and 156,300 (2017: 156,300) under unapproved scheme. The options exercisable as at 31 December 2018 were 2,837,277 (2017: 10,000). The contractual life is ten years and there is no cash settlement of the options. The options vest provided the employees remain in the service of the Maistro UK Limited for a period of between two and four years from the grant date. Share-based payments resulted in a charge of £0.18m (2017: credit of £0.57m).

The fair values of the options are calculated using the Black-Scholes method. Assumptions used in this model for the year ended 31 December 2018 were:

EMI Scheme	**2018-1**	**2018-2**
Date of issue	19/04/2018	21/06/2018
Fair value at measurement date	£0.04	£0.0365
Exercise Price	£0.0400	£0.0365
Expected volatility	64.6%	54.4%
Expected life	3.00 Years	3.00 Years
Weighted Average Share Price at grant	£0.04	£0.0365
Risk-free rate	**1.49%**	**1.49%**

The expected volatility of 54.4 – 64.6%% was used for options granted during the year which has been based on the historical volatility of Maistro's share price.

Further, as disclosed in the 2017 Annual Report, options over Ordinary shares were expected to be granted by the Board to David Rowe, Chairman, as part of his incentive-based remuneration package. On 20 March 2018, these options were granted under the following terms:

- **Condition A** - If the Company's share price averages 10 pence or more for 3 consecutive months from the grant date until 31 December 2019 (inclusive), the Chairman will be entitled to subscribe for Ordinary Shares equivalent to 2.5% of the Company's issued share capital at that time.

- **Condition B** - If the Company's share price averages 15 pence or more for 3 consecutive months from the grant date until 31 December 2020 (inclusive), the Chairman will be entitled to subscribe for Ordinary Shares equivalent to 2.5% of the Company's issued share capital at that time.

- **Condition C** - If the Company in any financial year from the grant date until 31 December 2021 (inclusive) becomes EBITDA positive, the Chairman will be entitled to subscribe for Ordinary Shares equivalent to 2.5% of the Company's issued share capital at that time. For the purposes of Condition C, reference to the EBITDA shall be to the earnings before all interest, tax, depreciation, and amortisation for the relevant financial year as stated in the audited Financial Statements.

Notes to the Consolidated Financial Information (continued)

20. Share-based payments (continued)

In compliance with the requirements of IFRS 2 on share-based payments, the fair values of the options issued to the Chairman were estimated at the grant date using the share price at the grant date less the exercise price, multiplied by the probabilities of vesting, which reflect the market vesting conditions. The market vesting probabilities were determined using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation process that takes into account the terms and conditions on which the options were granted (the exercise price, the term of the option, the share price at the grant date, the vesting conditions, the expected volatility of the underlying share, the expected dividend yield, and the short-term risk-free rate over the term of the option).

Assumptions used in this model for the year ended 31 December included:

Vested options are exercisable for a period of 12 months after vesting

Exercise Price	**£0.033**
Grant date	**20/03/2018**
Expiry dates	**31/12/2019 and 31/12/2020**
Expected vesting dates	**29/02/2019 and 31/12/2019**
Share price at grant date	**£0.04525**
Expected volatility	**60%**
Expected dividend yield	**0%**
Risk-free interest rate	**0.31%**

The expected share price volatility is based on the historic last twelve months volatility, adjusted for any changes to future volatility, based on publicly available information at the grant date.

The share options can be exercised for twelve months after the vesting periods, and the contractual terms of the options are 2.78 years (Condition A) and 3.78 years (Condition B). It is assumed, in the absence of dividends, that the options will be exercised immediately on vesting, and the effective contract terms are 1.78 years (Condition A) and 2.78 years (Condition B).

	2018 **£**	2017 £
In the Statement of Comprehensive Income, the Company recognised the following charge in respect of its share-based payment plans:		
Employee share options	**84,800**	(566,413)
Chairman's share options	**99,082**	-
Total	**183,882**	(566,413)

Notes to the Consolidated Financial Information (continued)

21. Financial Instruments – Risk Management

General Objectives, Policies and Processes
The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The Board reviews its monthly reports through which it assesses the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

From the beginning of the current financial year, the Group changed its reporting currency from US Dollars to GBP Sterling. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of Directors.

i) Categories of financial assets and liabilities

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables.
- Cash and cash equivalents.
- Trade and other payables.
- Borrowings and convertible loan notes.

Trade and other receivables are initially measured at the amount of consideration that is unconditional. The Group holds trade receivables with the objective of collecting the contractual cash flows so is subsequently measured at amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated Statement of Comprehensive Income in the relevant period.

Trade and other payables are measured at book value. The book value of financial assets and liabilities equates to their fair value.

Notes to the Consolidated Financial Information (continued)

21. Financial Instruments – Risk Management (continued)

The Group holds the following financial instruments:

Financial assets

	2018 £	2017 £
Cash and cash equivalents	**1,091,383**	2,454,191
Trade receivables – due at reporting date	**469,081**	210,346
Gross trade receivables	**469,081**	210,346
Less: Loss allowance	**-**	(27,527)
Trade receivables – net of provision	**469,081**	182,819
Accrued income – net of provision not due at reporting date	**5,925**	47,739
Other receivables	**76,278**	52,884
Total	**551,284**	283,442

Trade receivables principally comprise amounts outstanding for sales to customers and are net of expected credit loss. The average debtor days to settle invoices is 114 days (2017: 135 days).

Trade receivables that are due at the reporting date and have been reviewed and impaired when the collectability is considered unlikely.

The R&D Tax Credit relating to 2017 of £151,775 was received in July 2018.

Financial liabilities

	2018 £	2017 £
Trade payables	**404,774**	411,604
Service provider costs accrual	**183,005**	56,606
Other accruals	**475,524**	367,795
Convertible loan notes	**-**	10,000
Total trade and other payables	**1,063,303**	846,005

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 65 days (2017: 106 days).

Notes to the Consolidated Financial Information (continued)

21. Financial Instruments – Risk Management (continued)

Cash and cash equivalents
Cash and cash equivalents are held in Sterling, Euros, US Dollars and Japanese Yen and placed on deposit in UK banks and US banks.

ii) Credit risk
Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 150 days past due.

Impairment losses on trade receivables are presented as net impairment losses within Administrative costs. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group is mainly exposed to credit risk from credit sales. At 31 December 2018 the Group has net trade receivables of £469,081 (2017: £182,820).

The Group is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms. The Group also mitigates the credit risk when the customer for a project has not paid for the outstanding debt by withholding payment to the service provider associated with the project where possible.

At 31 December 2018, the Group had 1 customer (2017: 1 customer) that owed the Group more than £100,000 and accounted for 88% (2017: 88%) of all the net receivables outstanding. No provision for expected credit loss was made against this customer balance.

The analysis below shows the ageing of trade and other receivables and the movement in the expected credit loss in the year:

	2018	2017
	£	£
Up to 3 months	**539,152**	297,387
3 to 6 months	**14,525**	472
Above 6 months	**(489)**	27,359
Gross	**553,188**	325,218
Less: Loss allowance	**(1,904)**	(41,775)
Net	**551,284**	283,443

Allowance for credit loss:	**2018**	2017
	£	£
Opening balance	**41,775**	84,189
Utilised during the year	**(25,419)**	(37,195)
Increase/(decrease) during the year	**(14,452)**	(5,219)
Closing balance	**1,904**	41,775

The allowance for credit loss decreased due to improved customer vetting procedures and overall quality of the customer base. A corresponding provision is made against the service provider invoice or accrual to reflect the reduced associated liability.

Notes to the Consolidated Financial Information (continued)

21. Financial Instruments – Risk Management (continued)

iii) Liquidity risk

Short-term liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days. The table below analyses the Group's financial liabilities by contractual maturities. All amounts disclosed in the table are the contractual undiscounted cash flows.

	2018	2017
	£	£
Ageing of trade and other payables:		
Up to 3 months	**1,059,456**	811,809
3 to 6 months	**10,109**	19,423
Above 6 months	**(6,262)**	4,773
Gross	**1,063,303**	836,005

Longer-term liquidity risk is the ability of the Group to continue as a going concern. This risk is managed by the preparation by the Directors of cash flow forecasts and the strict management of expenditure.

(iv) Foreign exchange risk

Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency) which is considered by the Directors to be Pounds Sterling (£). The Board concluded that from the beginning of the current financial year it would be changing the currency in which it presents its financial results from US Dollars to GBP Sterling.

Foreign exchange risk arises when Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow customers to settle liabilities denominated in the customer's functional currency, being primarily Dollar, Euros or Pound Sterling.

The Group is predominantly exposed to currency risk on sales and purchases made from customers and service providers based in the USA, Eurozone, and Asia Pac. Sales and purchases from customers, service providers and suppliers are made on a central basis and the risk is monitored centrally. Apart from these particular cash flows the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

Notes to the Consolidated Financial Information (continued)

21. Financial Instruments – Risk Management (continued)

As at 31 December 2018, the Group's net exposure to foreign exchange risk was as follows for those entities with Pound Sterling functional currencies:

	US Dollar	Euro	Japanese Yen	South Korean KRW	Total
	£	£	£	£	£
As at 31 December 2018					
Trade and other receivables	**328,259**	**70,287**	**83,874**	**-**	**482,420**
Cash and cash equivalents	**7,228**	**5,062**	**570**	**-**	**12,860**
Trade and other payables	**(321,247)**	**(96,816)**	**(58,451)**	**50**	**(476,464)**
	14,240	**(21,467)**	**25,993**	**50**	**18,816**
As at 31 December 2017					
Trade and other receivables	34,732	36,500	-	-	71,232
Cash and cash equivalents	7,085	28,158	-	-	35,243
Trade and other payables	(142,284)	(29,829)	-	-	(172,113)
	(100,467)	**34,829**	**-**	**-**	**(65,638)**

(v) Capital management
The Group's capital is made up of share capital, share premium, equity conversion reserve, merger reserve, foreign currency reserve, share-based payment reserve, warrant reserve and retained losses totaling at 31 December 2018 £2,045,292 (2017: £3,463,159).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

To meet these objectives, the Group reviews the budgets and forecasts on at least a quarterly basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cash flow.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources.

Notes to the Consolidated Financial Information (continued)

21. Financial Instruments – Risk Management (continued)

(vi) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern.

The Group will also seek to minimise the cost of capital and attempt to optimise the capital structure, which currently means maintaining equity funding and keeping debt levels to insignificant amounts of lease funding. Share Capital, Share Premium, and Warrant Reserve together amount to £27,403,570 (see Note 15).

Whilst the Group does not currently pay dividends it is part of the capital strategy to provide returns for shareholders and benefits for other members in the future. However, the Group is planning growth and it will continue to be important to maintain the Group's credit rating and ability to borrow should acquisition targets become appropriate and available.

Capital for further development of the Group's activities will, where possible, be achieved by share issues or other finance as appropriate.

22. Events After the Reporting Date

On 2 January 2019, the Group entered into a lease for office space. The term of the lease is 10 years. Annualised rent costs are £58,901.

On 21 January 2019, the Group received placing proceeds of £0.9m net of issue costs.

On 1 March 2019 the Registered Office of all Group companies was changed to 1A, Grow On Building, 3 Babbage Way, Science Park, Clyst Honiton, Exeter, EX5 2FN.

23. Control

There is no ultimate controlling party.

Company Statement of Financial Position - Maistro Plc

At 31 December 2018

	Note	2018 £	2017 £
Non-current assets			
Investment in subsidiary Company	6	**2,900,994**	177,876
Total non-current assets		**2,900,994**	177,876
Current assets			
Trade and other receivables	7	**46,480**	8,218,247
Cash and cash equivalents		**1,042,727**	2,277,613
Total current assets		**1,089,207**	10,495,860
Total assets		**3,990,201**	10,673,736
Current liabilities			
Trade and other payables	8	**143,590**	46,062
Total current liabilities		**143,590**	46,062
Net assets		**3,846,611**	10,627,674
Equity attributable to equity holders of the Company			
Called up share capital	9	**3,071,058**	1,770,929
Share premium		**24,327,801**	24,334,182
Share-based payment reserve	6	**404,199**	177,876
Warrant Reserve		**297**	307
Merger reserve		**(196,772)**	(196,772)
Foreign exchange reserve		**-**	-
Retained losses		**(23,759,972)**	(15,458,848)
Loss for the year		**8,301,125**	2,460,227
Total equity		**3,846,611**	10,627,674

The Financial Statements were approved and authorised for issue by the Board of Directors on 22 March 2019 and were signed on its behalf by:

David Rowe
Chairman
Company Registration Number: 08188404

The accompanying notes are an integral part of these Financial Statements.

Company Statement of Changes in Equity – Maistro Plc

For the year ended 31 December 2018

	Called Up Share Capital £	Share Premium £	Merger Reserve £	Share-based Payment Reserve £	Warrant Reserve £	Foreign Exchange Reserve £	Retained Earnings/ (losses) £	Total £
Equity as at 1 January 2017	**470,929**	**22,878,031**	**(196,772)**	**1,026,713**	**-**	**-**	**(17,919,075)**	**6,259,826**
Loss for the period	-	-	-	-	-	-	2,460,227	**2,460,227**
Other comprehensive income	-	-	-	-	-	-	-	**-**
Total comprehensive income/(loss)	-	-	-	-	-	-	2,460,227	**2,460,227**
Issue of Ordinary shares	1,300,000	1,649,693	-	-	307	-	-	**2,950,000**
Issue costs recognised in equity	-	(193,542)	-	-	-	-	-	**(193,542)**
Share-based payments	-	-	-	(848,837)	-	-	-	**(848,837)**
Equity as at 31 December 2017	**1,770,929**	**24,334,182**	**(196,772)**	**177,876**	**307**	**-**	**(15,458,848)**	**10,627,674**
Loss for the period	-	-	-	-	-	-	(8,301,124)	**(8,301,124)**
Other comprehensive income	-	-	-	-	-	-	-	**-**
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**(8,301,124)**	**(8,301,124)**
Issue of Ordinary shares	1,300,129	125,335	-	-	(10)	-	-	**1,425,454**
Issue costs recognised in equity	-	(131,716)	-	-	-	-	-	**(131,716)**
Share-based payments	-	-	-	226,323	-	-	-	**226,323**
Equity as at 31 December 2018	**3,071,058**	**24,327,801**	**(196,772)**	**404,199**	**297**	**-**	**(23,759,972)**	**3,846,611**

The accompanying notes are an integral part of these Financial Statements.

Company Statement of Cash flows - Maistro Plc

For the year ended 31 December 2018

	2018 £	2017 £
Operating activities		
Profit/(loss) before interest and taxation	**(8,301,124)**	2,460,227
Fair value movement and unrealised FX	**13,012**	-
Interest income	**(3,299)**	(3,320)
Cash inflows/(outflows) from operating activities before changes in working capital	**(8,291,411)**	2,456,907
(Increase)/decrease in trade and other receivables	**8,171,767**	(2,541,425)
Increase in trade and other payables	**97,528**	17,836
Cash used from operations	**(22,116)**	(66,682)
Interest received	**3,299**	3,320
Interest paid	**-**	-
Net cash generated from operating activities	**(18,817)**	(63,362)
Investing activities		
Intercompany – Maistro UK Limited and Maistro US Inc.	**(2,509,807)**	(2,375,087)
Net cash used in investing activities	**(2,509,807)**	(2,375,087)
Issue of Share Capital	**1,425,454**	2,950,000
Issue cost of shares	**(131,716)**	(193,542)
Net cash generated in financing activities	**1,293,738**	2,756,458
Net increase in cash and cash equivalents	**(1,234,886)**	318,009
Cash and cash equivalents at beginning of period	**2,277,613**	1,959,604
Effect of foreign exchange rate changes	**-**	-
Cash and cash equivalents at end of period	**1,042,727**	2,217,613

The accompanying notes are an integral part of these Financial Statements.

Notes to the Company Financial Statements

At 31 December 2018

1. Company Statement of Total Comprehensive Income - Maistro Plc

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in the Financial Statements. The loss for the period ended 31 December 2018 is £8,301,125 (2017: £2,460,227).

2. Description of Business

Maistro Plc is a public limited company domiciled in the United Kingdom. This Company is incorporated to act as parent company for the Group and is limited by shares. This principal activity of the Company is to control the subsidiaries and other entities in the Group. The Company was incorporated on 22 August 2012.

3. Accounting Policies

The Company applies the same accounting policies as the Group in Note 1 of the consolidated financial information except for the following:

Basis of preparation
The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, except for the change in presentational currency from US Dollars to GBP Sterling.

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), and interpretations issued by the IFRS Interpretation Committee (IFRSIC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

The preparation of Financial Statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in Note 4.

Going Concern
The Financial Statements have been prepared on a going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

The Group focuses on large national and multi-national entities ("Enterprise") rather than smaller customers and has made significant progress in signing up new Enterprise customers over the past year. The Directors recognise that building the Enterprise business and making the Group sustainably profitable and cash generative is a medium-term goal that may require further funding to be raised in the future. The Directors and major shareholders continue to support the Company to achieve its objectives.

The Group recorded a loss from operations in the year of £3.1m and had cash of £1.1m as at 31 December 2018. In January 2019 the Group received further placing proceeds of £0.9m net of issue costs. Cash burn excluding financing for 2019 is forecast to be £1.5m (2018: £2.7m) and positive in 2020. Cash at the end of 2019 and 2020 is forecast to be £0.8m and £1.9m respectively.

The Directors have prepared cash flow forecasts for a period of more than 12 months from the signing date of this report. The forecasts exclude the effect of any cash inflows from the exercise of the Group's warrants, in part because the exercise price is higher than the current share price.

Notes to the Company Financial Information (continued)

Going Concern (continued)
The forecasts contain assumptions including significant growth in future revenue, both in project revenues and premium services; the cost model; and margins. The Directors recognise that the forecasts contain assumptions that are inherently uncertain, and should the assumed growth and margin improvements not be achieved, further funding will be required which is not in the control of the Group. The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Group and Company's ability to continue as a going concern and that therefore the Group and Company may be unable to continue realising their assets and discharging their liabilities in the normal course of business.

Nevertheless, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue for at least 12 months from the date of approval of these Financial Statements. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements. The Financial Statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Foreign currency
The Company's functional currency is GBP Sterling.

Change in presentation currency
As part of a review, the Board concluded that from the beginning of the current financial year it would be changing the currency in which it presents its financial results from US Dollars to GBP Sterling. Accordingly, where applicable, the reported results for the year ended 31 December 2018 and 31 December 2017 have been translated from US Dollars to GBP Sterling using the following exchange rates:

Exchange rates used USD: GBP	Year ended 31 December 2018	Year ended 31 December 2017
Average rate	1.2778	1.3284
Year-end rate	1.2736	1.3493

Transactions entered into by Maistro Plc in a currency other than the functional currency of the Company are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement. Exchange differences arising on the translation of the Financial Statements into the presentational currency of the entity are recognised in other comprehensive income.

Share capital
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company only has one class of Ordinary shares, denominated as £0.01 Ordinary shares.

Investments in subsidiaries
The Company's investment in its subsidiaries is carried at cost less provision for any impairment.

Notes to the Company Financial Information (continued)

4. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Judgements

(a) Investments
Carrying value of investments in subsidiaries is judged to be at cost plus the value of the share-based payments, as assessed by the Black-Scholes calculation, less any provision for impairment. The carrying value is tested for impairment when there is an indication that the value of the investment might be impaired. When carrying out impairment tests these are based upon future cash flow forecasts and these forecasts require management judgement. The Board reviews the subsidiary forecasts to determine whether any provision impairment is required and where the forecasts indicate future profitability, no impairment provision is made.

The Board has considered the investment and the receivable due from subsidiaries and concludes that the main asset of the Company is Maistro UK Limited. The market capitalisation of the Group at 31 December 2018 was £3.99m of which £1.09m is represented by the Groups' cash balances. The investment in and receivable due from Maistro UK Limited has therefore been provided against leaving a net balance of £2.9m.

Estimates

(a) Share-based payments
The fair value of the share options uses the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The fair values of the Chairman's options were estimated at the grant date using the share price at the grant date less the exercise price, multiplied by the probabilities of vesting, which reflect the market vesting conditions. The market vesting probabilities were determined using an adjusted form of the Black-Scholes model, which includes a Monte Carlo simulation process that takes into account the terms and conditions on which the options were granted (the exercise price, the term of the option, the share price at the grant date, the vesting conditions, the expected volatility of the underlying share, the expected dividend yield, and the short-term risk-free rate over the term of the option).

(b) Warrants
The fair value of the warrants uses the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments therein. The expected life used in the model is adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioral considerations.

Notes to the Company Financial Information (continued)

5. Financial Instruments – Risk Management

Capital Management
The Company's capital is made up of share capital, share premium, share based payment reserve, foreign exchange reserve, merger reserve, warrant reserve and retained losses totaling £3,846,610 at 31 December 2018.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Company consists of shareholders' equity as set out in the Statement of Changes in Equity. All working capital requirements are financed from existing cash resources.

Principal financial instruments
The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables.
- Cash and cash equivalents.
- Trade and other payables.

To the extent financial instruments are not carried at fair value in the Company Statement of Financial Position, book value approximates to fair value as at 31 December 2018. Trade and other receivables are initially measured at fair value and subsequently at amortised cost. Book values and expected cash flows are reviewed by the Board. Trade and other payables are measured at book value.

Cash and cash equivalents
Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Finance charges are accounted for on an accruals basis and charged to the Statement of Comprehensive Income when payable. Cash and cash equivalents are held in Sterling and placed on deposit in UK banks.

Financial assets	**2018** **£**	2017 £
Cash and cash equivalents	**1,042,727**	2,217,613
Other receivables	**46,480**	8,218,248
	1,089,207	10,495,861

Financial liabilities	**2018** **£**	2017 £
Trade payables	**114,892**	46,064
Accruals	**28,698**	-
	143,590	46,064

Notes to the Company Financial Information (continued)

6. Investments in Subsidiary

	Equity interest in subsidiaries £
Cost	
At 1 January 2018	177,876
Investment in 100% owned subsidiary:	
- Capitalisation of loan	13,892,751
- Share based payments	226,324
Provision for impairment	(11,395,957)
At 31 December 2018	**2,900,994**

The investment in subsidiary is recognised at the carrying amount of Maistro Plc's share of the equity items shown in the separate Financial Statements of Maistro UK Ltd at the date of investment. The above investment of £2,900,994 relates to the share-based payment reserve in addition to part capitalisation of the intercompany loan with Maistro UK Ltd, less provision for impairment.

The share-based payment reserve relates to share options issued to Maistro UK Ltd's staff, and to the Chairman. As the shares under option pertain to Maistro Plc any expense in the year is recognised as an investment in the subsidiary. This has been included in the investment impairment testing.

Subsidiaries are outlined in Note 16 of the consolidated Financial Statements.

7. Trade and Other Receivables

	2018 £	2017 £
Amounts falling due within one year		
VAT receivable	**195**	1,027
Prepayments	**46,285**	2,350
Amounts owed by subsidiary undertakings	**-**	8,214,870
	48,480	8,218,247

8. Trade and Other Payables

	2018 £	2017 £
Amounts falling due within one year		
Trade payables	**114,892**	46,064
Accruals	**28,698**	-
	143,590	46,064

Notes to the Company Financial Information (continued)

9. Share Capital

	2018	2017
	£	£
Share capital issued and fully paid		
At 1 January	**1,770,929**	470,929
Issued in the year	**1,300,129**	1,300,000
At 31 December	**3,071,058**	1,770,929
Number of £0.01 Ordinary shares in issue at period end	**307,105,816**	177,092,851

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling and translated at the historic rate.

The Company does not hold any treasury shares.

In 2017 the Company issued securities with warrant rights attached, as follows:

	Warrant Rights 1	**Warrant Rights 2**
Date of Issuance	1st August 2017	11th October 2017
Number of Ordinary shares issued	100,000,000	30,000,000
Warrant rights attached to Ordinary shares	1 warrant per 4 Ordinary shares issued	1 warrant per 2 Ordinary shares issued
Number of warrant rights	25,000,000	15,000,000
Warrant subscription price	£0.035	£0.06
Initial exercise date	1st August 2018	11th October 2018
Final exercise date	1st August 2019	11th October 2019
Form of purchase	Cash purchase	Cash purchase

10. Share-based Payments

The Company operates the same options scheme as set out in Note 20 of the notes to consolidated financial information.

Notes to the Company Financial Information (continued)

11. Foreign Exchange Risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional currency. The Group's policy including the Company is, where possible, to allow customers to settle liabilities denominated in the customer's functional currency, being primarily US Dollar, Euros or Pound Sterling.

To monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analysed by the major currencies held by the Group, including the company, of liabilities due for settlement and expected cash reserves.

12. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount of capital contributed in excess of the nominal value of each Ordinary share.
Foreign exchange reserve	Foreign exchange translation reserve resulting in the translation of the Financial Statements from the functional to the presentation currency.
Retained losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.
Share-based payment reserve	Reserve for share-based payments on options granted during the period not yet exercised.
Merger reserve	Amount subscribed for share capital in excess of nominal value when shares are issued in exchange for at least a 90% interest in the shares of another company.
Warrants Reserve	Reserve for warrants granted during the period not yet exercisable. The value represents the fair value at the date of transaction.

13. Related Party Transactions

At the reporting date the following related party loan balances were:

	2018	2017	2018	2017
	£	£	£	£
	Maistro UK Ltd		Maistro US Inc.	
At 1 January	8,214,870	3,311,314	-	-
Amounts capitalised in the year	(13,892,751)	-	-	-
Provision for impairment	3,168,074	2,544,439	-	(15,970)
Loans made in the year	2,509,807	2,359,117	-	15,970
At 31 December	-	8,214,870	-	-

During the year part of the loan to Maistro UK Ltd was capitalised. A provision for impairment was made against the investment in Maistro UK Ltd. A provision for impairment was part released against the remaining loan to Maistro UK Ltd (per Note 4).

Notes to the Company Financial Information (continued)

14. Leases
The Company has no operating lease commitments.

15. Events After the Reporting Date

On 2 January 2019, the Group entered into a lease for office space. The term of the lease is 10 years. Annualised rent costs are £58,901.

On 21 January 2019, the Group received placing proceeds of £0.9m net of issue costs.

On 1 March 2019 the Registered Office of Maistro Plc was changed to 1A, Grow On Building, 3 Babbage Way, Science Park, Clyst Honiton, Exeter, EX5 2FN.

16. Control
There is no ultimate controlling party.

Company Information

Directors and Officers

The Directors who were in office during the year and update to the date of signing the financial statements were:

Laurence Cook - Chief Executive Officer
Ian Cleverly – Chief Financial Officer
David Rowe - Chairman
Richard Croft - Non-executive Director and Company Secretary
Richard Rae - Non-executive Director
Preeti Mardia - Non-executive Director

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