Regulatory Story

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ATTRAQT Group PLC - ATQT Full Year Results

Released 07:00 04-Mar-2020

RNS Number : 9194E
ATTRAQT Group PLC
04 March 2020

The information contained within this announcement (the "Announcement") is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this Announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

4 March 2020

Attraqt Group plc
("Attraqt", the "Group" or the "Company")

Full Year Results
Building a platform for enhanced growth

Attraqt Group plc (AIM: ATQT), a leading provider of online experience orchestration, announces its final results for the twelve months ended 31 December 2019.

Financial Highlights:

- Revenue up 13% to £19.4 million (2018: £17.1 million)
- Gross margin up by 6% pts to 73% (2018: 67%)
- SaaS revenue up 16% to £17.7 million (2018: £15.2 million)
- SaaS gross margin increased by 3% pts to 79% (2018: 76%)
- Services revenue decreased 11% to £1.7 million (2018: £1.9 million)
- Services gross margin up by 6% pts to 3% (2018: -3%)
- Adjusted EBITDA[1] of £0.3m, including IFRS 16 adjustment of £0.45m (2018: £0.03m)
- Statutory losses before tax of £4.4m (2018: 2.7m), following £1.5m of exceptional costs in relation to the Early Birds acquisition
- Basic EPS loss of 2.7p (2018: 2.6p)
- Cash at period end of £4m

KPIs:

- 21 multi-year renewals (2018: 10)
- Exit annual recurring revenue ("ARR") of £19.2m (2018: £16.0m)
- 22 new logos (2018: 15)
- New bookings in the period of £3.4m (2018: £2.6m)
- Net retention rate of 98% (2018: 94.5%)

Operational highlights:

- Completed the transformational acquisition of Early Birds SAS on 29 May 2019
- Three year renewal signed with our largest client post period-end (Total contract value £6.15m)
- Recommended vendor by Forrester for visual search and visual recommendations
- Named as BigCommerce Technology Partner post-period end

Luke McKeever, Chief Executive Officer of Attraqt Group, commented:

"It has been a year of considerable operational progress for the Group. We are pleased to have delivered a transformational acquisition, which has allowed us to expand and upgrade our product architecture, alongside clear progress against our strategy as demonstrated by our KPIs.

"The fact that our clients continue to sign multi-year renewals with us demonstrates the ongoing value of our offering and an appreciation for our technology. The post-period end three-year renewal of our largest client is a strong validation of how far our technology and ability to innovate has developed over the period.

"Macro-economic and political uncertainty headwinds in the latter part of 2019 impacted our H2-2019 bookings and hence our 2019 ARR exit rate. We entered 2020 with a strong pipeline of new opportunities but have been unable to accelerate the close of sufficient deals in January and February to offset the H2-2019 bookings shortfall. Whilst we continue to be comfortable with our expectations for new bookings in 2020, with c. 20% year on year growth, given the revenue recognition profile of SaaS deals we are prudently reducing our market expectations for the full year at this early stage.

"We have a huge opportunity ahead of us, and we are confident we can capitalise on it through the effective execution of our strategy. The work that our teams and partners have put in this past year means we are now well positioned to ramp up our momentum going into the next period and expect to see a double-digit growth in our 2020 exit ARR rate."

A video overview of the results from the CEO, Luke McKeever is available to watch here: http://bit.ly/ATQT_FY19results

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1. Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items.

About Attraqt Group plc

Attraqt powers exceptional shopping experiences for over 300 of the world's leading retail brands. The Company delivers omnichannel search, merchandising, and product & content personalization for retailers and brands. Simple-to-use interfaces and efficient workflows enable Merchandisers to take full control and enhance the value of smart automation with their own strategic expertise and creativity.

In 2019, Attraqt acquired Early Birds, the award-winning AI-driven personalization software provider. Together, the two companies combine Attraqt's pedigree in data-led search and merchandising capabilities to optimize product discovery and visual curation, with Early Birds' award-winning ability to empower learning algorithms to orchestrate and personalize the entire shopper journey. The benefits to retailers and brands will be the ability to orchestrate enhanced shopper journeys that also deliver superior commercial returns.

For more information visit www.attraqt.com

Chairman's Statement

The period in review was one of significant operational achievement. Most importantly, the acquisition of Early Birds in May 2019, a provider of artificial intelligence ("AI") powered Software as a Service ("SaaS"), is allowing us to cost and time-effectively upgrade our product architecture and is strengthening our offering to clients.

2019 was a year in which the UK retail market was under pressure, having been impacted by external cost pressures and consumer uncertainty, derived from Brexit and the General Election. Despite these challenges it is testament to our product and service that some of the most forward-thinking online retailers and brands continue to choose Attraqt to partner with on their journey to improve and differentiate the customer experience. In 2019 new logos won included Helly Hansen, Joules, The Kooples and Galeries Lafayette.

Our platform continues to show a robust performance under ever increasing traffic. Some of our customers experienced as much as an 800% uplift in typical traffic performance over cyber weekend, where we serviced 2.2 billion requests with a 100% uninterrupted service.

Post-period we were delighted to appoint Grahame Cook as an independent Non-Executive Director. Grahame will provide Attraqt great value and counsel with his significant experience of working with fast growing companies, working with companies in the Technology sector and on Board Committees. Grahame chairs the Company's Audit Committee and is a member of the Remuneration Committee.

Throughout this financial year we have built an excellent platform for growth and greatly enhanced our competitive positioning in the market. 2020 will see us focus on increasing our rate of growth, as we look to capitalise on the exciting pipeline of new business we have built. Alongside this we continue our commitment to increasing customer success, further minimising attrition and working towards operational excellence.

I would like to thank our customers for their continued support and confidence and to thank the senior management team and all our employees for their hard work and dedication.

Nick Habgood
Chairman
3rd March 2020

Chief Executive's Review

This year we have driven through a significant step change in our ability to deliver for our clients. We are now able to offer them more innovative technology, more comprehensive data reporting and the support of an agile, motivated services team made up of expert practitioners. Whilst we are cognisant of the external pressures that are putting traditional retail under pressure, we are better positioned to grow at pace than ever before, particularly as we look forward to delivering a fully-harmonised market leading product during H2 2020.

EARLY BIRDS

The acquisition of Early Birds has unquestionably played a critical part in the strong positioning we now have, and we have already seen many of the anticipated benefits outlined at the time of acquisition become reality. Key to our progress is the fact that the integration of the Early Birds technology has allowed us to cost and time-effectively upgrade our product architecture, putting a structure in place which will allow us to grow much more rapidly and seamlessly, once we have the fully-harmonised product set in place.

The benefits of this additional innovation have begun to flow through into increased customer confidence and retention resulting in 21 multi-year renewals during the year, a higher win rate from competitive tenders and a stronger sales pipeline entering the current financial year. It has also created increased opportunities to cross-sell and up-sell to existing clients.

The technical benefits of the acquisition have exceeded expectations and the Early Birds platform is already inter-operable with the Attraqt platform. The fully unified product with what we believe to be ground-breaking capabilities, is expected to be completed during H2 2020. Whilst the integration process was a significant burden on the senior management during H2, we are confident that the elements that required the full focus of senior management are nearing completion and we are completing the process with a very strong combined pipeline.

The timing of the acquisition was such that it is only now that we move into the new 2020 buying cycles for retailers that the Group is able to take advantage of our combined offering and focus on the conversion of our significant pipeline. Whilst it will take some time to build momentum, we are now well-positioned for growth with a great proposition to go to market with.

REVIEW OF SALES AND OPERATIONS

Revenue was up 13% for the year, driven by both new logos won and a robust level of upsell to existing clients. On a proforma basis, revenue increased 7%. SaaS revenue increased 16%, as a result of the acquisition and capacity increases in our existing customer base, whilst Services revenue was tempered by the absence of large, complex installations. Pleasingly our SaaS gross margin was up by three percentage points as the addition of real-time monitoring enhanced our solution and profitability.

It has also been a good year for multi-year renewals and post-period end we achieved the three-year renewal of our largest client. This is a strong validation of our credentials, our clear future plans and our ability to innovate.

We continued to win new and exciting brands including Helly Hansen, Joules, The Kooples and Galeries Lafayette in the period. Despite the broader market conditions in traditional UK retail, we are pleased to be partnering with some of the most forward-thinking online retailers and brands that are optimising the shopper journey to drive growth.

We have again made progress in our operational KPIs, as we move further towards operational excellence. Our Net Promoter Score has increased from an average of 4 at launch in 2018 and we are currently running at an NPS of over 30 for 2020. Our client on-boarding process is running smoothly and our advisory unit launched in early 2019 has had a positive effect on our clients' growth in the period and helped to increase customer satisfaction.

We have made significant progress on the internally focused causes which drive attrition, although we expect some attrition to continue, driven by legacy contracts and external factors such as insolvency. We were pleased to see our net revenue retention for the period rise to 98% in FY19. If we were to discount for clients lost due to external factors, such as insolvency, our net revenue retention figure would have surpassed 100% this year, reflecting a key inflection point in our progress. The board is looking to drive net revenue retention above 100% in 2020.

MARKET DEVELOPMENTS

Political uncertainty relating to Brexit and the UK General Election impacted consumer confidence and high street sales, particularly in the UK where 53% of our revenues are generated. Many UK based ecommerce businesses with a retail footprint had only limited funds to invest in new technology during the period. We have begun to see new client-side investment initiatives following the general election outcome and the undiluted approach to Brexit.

There is a continuing drive for retailers to drive efficiencies through the effective use of data. Artificial Intelligence and Machine Learning techniques are becoming increasingly popular as business look to deliver more value to customers with the same, or lower overheads. Attraqt is now well positioned to support this development.

We continue to see a trend towards online retailers' adoption of "headless" architecture. This approach allows retailers to build an online retail solution from best of breed components which is seen as a positive for the company. It is also likely to positively impact Attraqt's customer retention as the "headless" architecture allows customers to re-platform (replace their e-commerce systems) without impacting elements such as merchandising, search or personalisation.

GROWTH STRATEGY

We are very pleased to have continued to make clear progress against our strategy, as announced in February 2019. The strategy focuses on leveraging our strengths as well as driving a client-centric approach, a culture of idea-sharing and innovation, and on using data to drive every decision that we take.

The priorities we outlined in February 2019 were:

- Evolving our data-led approach
- Increasing the speed of our innovation
- Driving customer success and optimising the customer experience
- Enhancing our partnership strategy
- Replicating our UK success in other geographies
- Expanding our effort on key verticals

Our data-led focus is key to our success, particularly our focus on the application of artificial intelligence and machine learning. We now offer clients better diagnostic tools and have the ability to easily identify areas where we can create further value for those customers which are not using our platform. These improvements all feed into our customer success programme, which has been a great success, as demonstrated by progressively improving NPS score.

The acquisition of Early Birds enabled us to increase the speed of our innovation, allowing us to build a SaaS solution more rapidly. The new Product Office announced in September has also increased accountability and provides us with visibility of the development pipeline.

Our partnership strategy has progressed well, and we are in conversation with a number of exciting, disruptive technology partners. Post-period end, we announced our new partnership with leading "headless" eCommerce platform provider, BigCommerce, providing over 60,000 of their customers with access to Attraqt's platform. Both companies are currently in the process of bringing a number of new joint customers online having already successfully implemented two joint customers.

Regionally, we have continued to grow our presence in France, driven by the acquisition of Early Birds which gave us a dominant position in that market. We delivered seven new logo wins of French businesses post acquisition, several with upsell opportunities in 2020. We have also had wins in Germany, the Nordics and Australia. As previously announced we also won our first customer in China, where there is a good opportunity to grow within the client.

As our business evolves, we believe it is prudent to continuously build upon and refine these strategic priorities. Moving into 2020, one of our key strategic priorities will be further evolving towards a product-first brand positioning, as we further extend our AI competence and customer offering.

PRODUCT DEVELOPMENT AND EXPANSION OF SERVICE OFFERING

Technology
We have a compelling product roadmap in place, a fully integrated Product Office and an agile development model. We are delivering against monthly technological milestones and as previously announced, R&D activity this year is focused on delivering a fully-harmonised market leading product during H2 2020, which will allow us to reap the full benefits of the Early Birds acquisition and provide us with a future proofed architecture.

The foundations set in 2019 have allowed us to create an architecture which will be able to integrate and deliver new capabilities much more rapidly than previously. We have a platform that enables both organic and inorganic growth and we have an on-going process to identify and assess partnerships and bolt-on acquisitions that will deliver incremental value to our customers.

Advisory Unit
We continue to believe in the value of offering our clients access to our deep industry experience and insights in the form of short, ongoing, advisory engagements. Our industry coaches help to increase customer retention and can be a new business enabler through their extensive knowledge base and experience. As a Group, we are reaping the benefits of this unique team with both customer retention and customer acquisition.

Whilst we are confident that in the longer term there is scope to grow this aspect of the business, in the short term, advisory services margin is anticipated to remain in the single digits as we focus on the upgrading of our underlying technology.

PEOPLE AND VALUES

We have seen an enhanced focus on improving employee experience and recognition this year and have had great success with a number of initiatives including our Values launch, talent attraction, team based training and coaching, and consistent communication sessions. Pleasingly, the results of this activity flowed through in our initial employee satisfaction survey, which showed very high levels of engagement.

With a clear and coherent strategy, quarterly objectives and a commitment to upskilling and training, our staff retention figure is high and is reflected in how motivated our team is. Our last quarterly review concluded that 96% of our employees feel valued and it is clear that this is flowing through into a 'customer first' mentality.

I would like to sincerely thank our team for their ongoing creativity, dedication and drive. We've built a truly inclusive and exciting culture in the business and it is due to your hard work that we are able to move forward towards our goals.

SUMMARY AND OUTLOOK

During the period we have built an excellent platform for growth and are offering our customers what they are looking for. We've extended our position in artificial intelligence following the acquisition of Early Birds and have a highly motivated team with industry expertise to drive forward our customer journey from inception of the relationship through the many years that follow.

We will continue to look for opportunities to increase the value we bring to customers, investing in the business where it will bring a demonstrable advantage. As we look to the latter part of the current financial year we will be focused on delivering a fully-harmonised market leading product during H2 2020, which will allow us to reap the full benefits of the Early Birds acquisition.

Whilst brands and retailers continued to invest in online, as we previously communicated, the wider macro and political uncertainty meant that decisions were noticeably slower over the latter part of the period. This compounded the fact that the timing, and inevitable distraction of the Early Birds acquisition and integration impacted the Company's sales capacity during the second half of 2019. Taken together, this affected new bookings in 2019 and the level of recurring revenue (ARR) coming into 2020. We entered 2020 with a significant pipeline of new opportunities but we have been unable to accelerate the close of sufficient deals in January and February, which had been anticipated to offset the shortfall and allow a near-full year of revenue recognition. As such, we believe it is prudent to lower our financial expectations for the full year at this early stage. Our pipeline is nevertheless strong and we have also taken steps to improve margins through improvements in operating efficiency.

Notwithstanding this, our focus as a Group is on the conversion of our significant pipeline, much of which has been activated as potential clients have released funds for investment in the current financial year. As such, we continue to expect the number of new bookings for the year ahead to grow by c.20%. Whilst it will take some time to build momentum, (and subject to the impact of coronavirus) we are comfortable with our plan for 2020 bookings.

To date the company has not experienced a direct impact from the coronavirus outbreak and it is difficult, at this time, to make accurate predictions regarding the spread of the virus or its impact on the Company's customer base. It is likely that some travel restrictions will be put in place in the coming weeks; however, we continue to monitor developments and prepare contingency plans to mitigate the risks, which also feeds into some of our prudency in our expectations for the year ahead.

We have a huge opportunity ahead of us and the strategy and team in place to deliver. Thanks to a great deal of hard work from our colleagues and partners, we are now well positioned to ramp up our momentum going into the next period, building on strong recurring revenues and expect to deliver attractive, double-digit ARR growth.

Luke McKeever

Chief Executive Officer

CHIEF FINANCIAL OFFICER'S STATEMENT

Revenue for the year increased by 13% to £19.4m (2018: £17.1m), including the contribution from Early Birds SAS that was acquired in May. Revenue increased by 7% on a proforma basis.

SaaS revenues increased by 16% to £17.7m (2018: £15.2m) driven by capacity growth in existing accounts and new customer growth from the acquisition. Services Revenue decreased by 11% to £1.7m (2018: £1.9m) due to fewer, large implementations.

Revenue	2019 Statutory	2019 Proforma	2018 Statutory	2018 Proforma	Statutory growth*	Proforma growth#
SaaS	£17.7m	£18.9m	£15.2m	£17.3m	16%	9%
Services	£1.7m	£1.7m	£1.9m	£1.9m	(11%)	(12%)
	£19.4m	£20.6m	£17.1m	£19.2m	13%	7%

*Statutory - this is the Group owned element (2019 compared with 2018).
Proforma - this is the impact had the Attraqt Group owned Early Bird for the full 2019 and 2018 financial year.

SaaS gross margin increased by 3% points to 79% as a result of several operational efficiency initiatives and the use of technology to manage our Amazon Web Services (AWS) estate. Services gross margin increased by 6% points to 3% as the mix of chargeable work continued to improve. Management has several initiatives underway to drive further improvements in gross margin in 2020.

Gross margin increased by 23% to £14.1m (2018: £11.5m), a gross margin of 72% driven by the incremental revenue from the Early Birds acquisition and the operational improvement activities explained above.

Adjusted EBITDA (pre-exceptional)1 of £0.3m profit (2018: £0.0m) which includes an IFRS 16 adjustment of £0.45mwas in line with management expectations, the impact of IFRS 16 Leases was £0.4m (2018: £nil).
As per definition in KPI's

The exceptional costs of £1.5m in the year relate mainly to restructuring and the acquisition of Early Birds; legal and professional advice associated with the transaction and post-acquisition integration activities.

Admin expenses increased in line with the enlarged team following the acquisition of Early Birds.

Depreciation and amortisation totalled £3.0m (2018: £1.6m) and increased due to the amortisation of intangibles that were created on the Early Birds acquisition, as well as the amortisation associated with the adoption of IFRS 16 Leases (note 2). There was a share-based payment charge of £0.2m (2018: £0.4m).

Loss before tax was £4.4m (2018: £2.7m loss), with the tax credit in the period £0.4m (2018: charge £0.01m). Therefore, loss for the year after tax was £4.0m (2018: £2.8m loss).

The cash balance at the end of the period was £4.0m (2018: £0.5m), which was an increase of £3.5m during the year. The increase was due to the additional equity and working capital raised during the fundraise for the Early Birds acquisition.

The key to growing value in a SaaS business is to grow the Annual Recurring Revenue (ARR) and to understand the levers that impact it. The ARR grew by 20% to £19.2m (2018: £16.0m) and was driven by the acquisition of Early Birds.

The first lever that impacts ARR is the booking of new, recurring revenue. Recurring bookings in 2019 were £2.5m (2018: £2.3m). Gross Attrition is an important KPI for our business, because it challenges us to understand why our customers leave and find preventative actions. Another important KPI is Net Revenue Retention because it indicates how well we are serving our existing customers. Gross Attrition for 2019 was 12% (£2.3m) and the NRR was 98% (2018: 94.56%).

Eric Dodd
Chief Financial Officer
3 March 2020

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019
Financial Statements

	Note	2019	2018
		£'000	£'000
Revenue	4	**19,434**	17,144
Cost of Sales	4	**(5,354)**	(5,614)
Gross profit		**14,080**	11,530
Administration expenses		**(16,933)**	(13,680)
Exceptional administrative expenses	5	**(1,507)**	(563)
Total administrative expenses		**(18,440)**	(14,243)
Loss from operations	6	**(4,360)**	(2,713)
Finance costs		**(48)**	-
Loss before tax		**(4,408)**	(2,713)
Taxation credit/(charge)	8	**386**	(49)
Loss for the year		**(4,022)**	(2,762)

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The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
Financial Statements

	Note	2019	2018
		£'000	£'000
(Loss) for the year		**(4,022)**	(2,762)
Foreign exchange translation differences		**40**	(8)
Total comprehensive (loss) for the year, attributable to shareholders of the parent		**(3,982)**	(2,770)
Loss per share attributable to the ordinary equity holders of the company			
Basic and diluted EPS	9	**(2.7p)**	(2.6p)

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019
Financial Statements

	Notes	2019	2018
		£'000	£'000
Non-current assets			
Plant and equipment	10	**318**	168
Right of use assets	11	**1,354**	-
Intangible assets	12	**40,154**	25,432
Total non-current assets		**41,826**	25,600
Current assets			
Trade and other receivables	15	**5,401**	4,936
Cash and cash equivalents	16	**3,950**	509
Corporation tax		**217**	-
Total current assets		**9,568**	5,445
Total assets		**51,394**	31,045
Current Liabilities			
Trade and other payables	19	**10,182**	8,186
Corporation tax		**229**	24
Total current liabilities		**10,411**	8,210
Non-current liabilities			
Deferred tax liability	8	**3,197**	1,254
Lease liability	11	**857**	-
Total non-current liabilities		**4,054**	1,254
Net Assets		**36,929**	21,581
Equity			
Issued capital	17	**1,800**	1,063
Share premium	17	**48,516**	30,108
Merger reserve		**1,457**	1,457
Share based payment	18	**1,423**	1,238
Forex reserve		**(225)**	(265)
Retained earnings		**(16,042)**	(12,020)
Total equity attributable to equity holders of the parent		**36,929**	21,581

The notes form an integral part of these financial statements.

These Consolidated financial statements and the accompanying notes were approved for issue by the Board on 3 March 2020 and signed on its behalf by:

Eric Dodd
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 31 December 2019

Financial Statements

	Share capital	Share premium	Merger reserve	Share based payment reserve	Foreign exchange reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	**1,063**	**30,108**	**1,457**	**803**	**(257)**	**(9,258)**	**23,916**
Loss for the year	-	-	-	-	-	(2,762)	**(2,762)**
Foreign currency translation differences	-	-	-	-	(8)	-	**(8)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(8)**	**(2,762)**	**(2,770)**
Contributions by and distributions to owners							
Share based payment charge	-	-	-	435	-	-	435
Total contributions by and distributions to owners	**-**	**-**	**-**	**435**	**-**	**-**	**435**
Balance at 31 December 2018	**1,063**	**30,108**	**1,457**	**1,238**	**(265)**	**(12,020)**	**21,581**
Loss for the year	-	-	-	-	-	(4,022)	(4,022)
Foreign currency translation differences	-	-	-	-	40	-	40
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**40**	**(4,022)**	**(3,982)**
Contributions by and distributions to owners							
Shares issued	737	19,156	-	-	-	-	19,893
Issue costs	-	(748)	-	-	-	-	(748)
Share based payment charge	-	-	-	185	-	-	184
Total contributions by and distributions to owners	**737**	**18,408**	**-**	**185**	**-**	**-**	**19,383**
Balance at 31 December 2019	**1,800**	**48,516**	**1,457**	**1,423**	**(225)**	**(16,042)**	**36,929**

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
Financial Statements

	Notes	2019	2018
		£'000	£'000
Cash flows from operating activities			
Loss for the year		**(4,022)**	(2,762)
Adjustments for:			
Depreciation of property, plant and equipment	10	**161**	62
Amortisation of intangible fixed assets	12	**2,387**	1,586
Amortisation of right of use assets	11	**466**	-
Income tax (credit)/charge	8	**(386)**	49
Share based payment expense	18	**185**	435
Finance costs		**48**	-
Foreign exchange differences		**(92)**	104
		(1,253)	(526)
Decrease/(increase) in trade and other receivables		**415**	(384)
Increase in trade and other payables		**314**	893
Cash used in operating activities before interest and tax		**(524)**	(17)
Taxation received /(paid)		**49**	(278)
Net cash used in operating activities		**(475)**	(295)
Cash flows used in investing activities			
Acquisition of subsidiaries net of cash acquired	13	**(10,875)**	-
Fair value gain on forward contract		**149**	
Purchases of Property, plant and equipment	10	**(282)**	(70)
Development of intangibles	12	**(946)**	(696)
Net cash used in investing activities		**(11,954)**	(766)
Cash flows from financing activities			
Lease payments		**(393)**	-
Lease interest		**(56)**	-
Interest received		**8**	-
Issue of ordinary shares, net of issue costs		**16,352**	-
Repayments of loan		**(20)**	
Net cash generated from financing activities		**15,891**	-
Net increase / (decrease) in cash and cash equivalents		**3,462**	(1,061)

Cash and cash equivalents at beginning of year		**509**	1,636
Effect of foreign currency exchange rate changes		**(21)**	(66)
Cash and cash equivalents at end of year	16	**3,950**	509

The notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019
Financial Statements

1. GENERAL INFORMATION

Attraqt Group plc ("the Company") and its subsidiaries (collectively, the 'Group') principal activity is the development and provision of eCommerce site search, merchandising and product recommendation technology.

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board of Directors of the Company on 3 March 2020.

The Company is a public limited company which is quoted on the Alternative Investment Market on the London Stock Exchange, and is incorporated, registered and domiciled in England and Wales (registered number: 08904529). The address of its registered office is 7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB.

2. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and on an historical cost basis. The Group financial statements are presented in UK sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Further details on the Group's critical judgements and estimates are included in note 3.

Going concern

The Directors have considered the Group's forecasts, projections, and the risks associated with their delivery, and are satisfied that the Group will be able to operate for at least 12 months from the date of approval of these financial statements. In relation to available cash resources, the Directors have had regard to both cash at bank and a £250,000 overdraft facility. Accordingly, they have adopted the going concern basis in preparing these financial statements.

Revenue

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Where work is completed at the year-end but not invoiced, the Attraqt Group accrues for this income. The Group derives the majority of its revenue from the provision of e-commerce services via a license fee to online retailers which includes site search, merchandising and product recommendation technology. The Group determines the transaction price to which it expects to be entitled in return for providing the promised obligation to the customer based on the committed contractual amounts fixed cost agreed it with clients. The Group has the following revenue streams:

SaaS license fee: In the case of SaaS Licence Fee only contracts, revenue is recognised over time as the customer has access to the vendor's intellectual property as it exists at any given time throughout the licence period. Implementation fees associated with these licenses are recognised over the transaction period, fees not associated with a license are recognised at the end of the implementation period.

On-going services: Revenue in relation to Technical Consulting/Business consulting contracts have distinct performance obligations I.e. the number of consulting days defined in the contract, will be recognised at a point in time according to time and materials used - therefore, once the customer consumes the benefits from the service provided, the revenue is recognised. Revenue from the sale of prepaid services are deferred until such time that the client utilises the services, or the contract expires.

Exceptional items

Exceptional items are those which, by virtue of their nature, size or incidence, either individually or in aggregate, need to be disclosed separately to allow full understanding of the underlying performance of the Group.

Foreign currency translation

The functional and presentation currency of Attraqt Group plc is GBP. Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the consolidated income statement.

For the purposes of preparing consolidated financial statements, the assets and liabilities of foreign subsidiary undertakings are translated at the exchange rates ruling at statement of financial position date. Profit and loss items are translated at the exchange rate ruling at the date of the transaction. Exchange differences arising are taken to the Group's foreign currency translation reserve.

Pension

The Group operates a defined contribution scheme. Obligations for contributions to the defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Externally acquired intangible assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible Asset	**Useful economic life for Fredhopper intangibles**	**Useful economic life for Early Birds intangibles**	**Valuation Method**
Customer Relationships	11 years	9 years	Excess Earnings Method - the value of the intangible asset is the present value of the after-tax cash flows potentially attributable to it, net of the return on fair value attributable to tangible and other intangible assets.
Existing Technology	7 years	10 years	Relief from Royalty Method - the value of intangible assets are estimated by capitalising the royalties saved because the company owns the intangible asset.
Trade Names	10 years	10 years	Relief from Royalty Method - the value of intangible assets are estimated by capitalising the royalties saved because the company owns the intangible asset.

The amortisation expense is charged to the administrivia expense line in the consolidated statement of comprehensive income.

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over three years. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Where there is an event or change in circumstance in relation to such judgement, the Group must make an estimate of the expected future economic benefits to determine that assets are not impaired.

Impairment of assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Consolidation

The results of all subsidiary undertakings are included in the consolidated financial statements. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the assets, liabilities and contingent liabilities of acquired businesses at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses.

Goodwill is allocated to one cash-generating unit and is not amortised but is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost and is stated at cost less accumulated depreciation.

Property, plant and equipment is depreciated to reduce the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Plant and machinery	3 years
Fixtures and fittings	3 years

Attraqt Group elected to change the accounting policy in relation for depreciation from 4 years to 3 years which will has been applied from 1 January 2019.

Leasehold Improvements

Leasehold improvements are initially recognised at cost and is stated at cost less accumulated depreciation.

Leasehold improvements are depreciated to reduce the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Leasehold improvements	Over the life of the lease

Leases

The group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to administrative expenses on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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 and small office leases.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and a bank loan. The bank loan is repayable over a five year period with no interest. There are no bank overdrafts in either year presented.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium.

Share based payments

The Group has issued share options to certain employees, in return for which the Group receives services from employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, the Group fair values the options at the grant date using the Black Scholes valuation model to establish the relevant fair values.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Group's share price) but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non-market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

Taxation including deferred taxation

Total income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity and other comprehensive income, in which case it is recognised directly in equity and other comprehensive income.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate. All changes to current tax liabilities are recognised as a component of tax expense in the income statement unless the tax relates to an item taken directly to equity in which case the tax is also taken directly to equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- goodwill not deductible for tax purposes;
- the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- investments in subsidiary companies where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Financial instruments

Recognition, derecognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when Attraqt Group becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when the related contractual obligation is extinguished, discharged or cancelled, or when it expires. Financial instruments are recognised and derecognised using settlement date accounting. On initial recognition, financial instruments are measured at fair value. Fair value on initial recognition includes transaction costs directly attributable to the acquisition or issue of financial instruments, except for financial instruments carried at fair value through profit or loss, for which transaction costs are recognised in the Consolidated statement of Comprehensive income in the period when they are incurred.

Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified and subsequently measured at:

- amortised cost
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI)

Business model assessment

The classification depends on Attraqt Group's business model for managing these financial assets and the contractual terms of the financial asset's cash flows. The business models objectives are broken down into three categories:

- Financial assets held solely to collect contractual cash flows
- Financial assets held both to collect contractual cash flows and selling the assets
- Financial assets that are managed on a fair value basis

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other financial assets are classified as measured at FVTPL.

Impairment of financial assets measured at amortised cost

The Group assesses on a forward looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Write-off policy

Financial assets are written-off after the Group has exhausted all possible avenues of recovery from the customer and there is no realistic prospect of recovering the amounts owed.

Financial liabilities

The Attraqt Group classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL or is required to measure liabilities at FVTPL, these include trade payables and short-term monetary liabilities. The Attraqt Group designates a financial liability as measured at FVTPL on initial recognition when it eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities on a different basis. A description of the basis for each designation is set out in the major types of financial instruments section of this note.

Subsequent measurement of financial instruments

Financial instruments are measured in subsequent periods either at fair value or at amortised cost depending on the financial instrument classification.

Financial instruments classified as at amortised cost

Subsequent to initial recognition, financial assets and liabilities classified in this category are recognized at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its carrying amount. When calculating the effective interest rate, the Attraqt Group of companies estimate future cash flows, considering all contractual terms of the financial instrument. Interest income, interest expense and the amortisation of loans fees are presented in the Consolidated Statement of Income.

Financial instruments classified as at fair value through profit or loss

Subsequent to initial recognition, gains and losses upon the sale, disposal or write-off of these financial instruments are included directly in the Consolidated Statement of Comprehensive Income and are reported within administrative expenses.

Equity Instruments

The Attraqt Group measures equity instruments at FVTPL, changes in the fair value would be recognised in Statement of Comprehensive Income.

Changes in accounting policy

New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the Group from 1 January 2019, the Groups assessment of the impact of IFRS 16 Leases is discussed below:

IFRS 16 Leases

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's consolidated annual report and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted IFRS 16 under the modified retrospective method approach from 1 January 2019, but not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6%.

	2019
	£'000
Operating lease commitments disclosed as at 31 December 2018	**538**
Less: short-term leases recognised on a straight-line basis as expense	**(129)**
Less: low-value leases recognised on a straight-line basis as expense	**(58)**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(2)**
Lease liability recognised as at 1 January 2019	**349**
Of these which are:	
Current lease liabilities	**240**
Non-current lease liabilities	**109**
	349

The associated right-of-use assets for all leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the balance sheet as at 31 December 2018.

Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

New standards, interpretations and amendments not applied

As at date of approval of the Group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the Group but not yet effective and thus, have not been applied by the Group:

	Effective date*
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3: Business combinations	1 January 2020†
Amendments to IAS 1 and IAS 8: Definition of material	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate Benchmark reform	1 January 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2020†

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

† At the date of authorisation of these financial statements, these standards and interpretation have not yet been endorsed or adopted by the EU.

The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or Parent Company financial statements in the period of initial application.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There were no material judgements or estimates used on application of IFRS 9 *Financial Instruments* or IFRS 15 *Revenue from contracts with customers*, there were no contracts that straddled year end which required any judgement. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

Judgements

- **Leases**

Extension and termination options are included in a number of property leases across the Group as well as contracts that include rolling lease periods. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, allow the lease to roll forward for a further lease period or not exercise a termination option. Extension options and rolling lease periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that it is within the control of the Group.

- **Capitalisation and impairment of development costs**

It is a requirement under IFRS that development costs that meet the criteria prescribed in the standard are capitalised. The assessment of each project requires that a judgement is made as to the commercial viability and the ability of the Group to bring the product to market. Where there is an event or change in circumstance in relation to such judgement, the Group must make an estimate of the expected future economic benefits to determine that assets are not impaired.

Estimates

- **Share based payments**

Share options are recognised as an expense based on their fair value at date of grant. The fair value of the options is estimated through the use of a valuation model - which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life - and is expensed over the vesting period. Some of the inputs used to calculate the fair value are not market observable and are based on estimates derived from available data, such as employee exercise behaviour and employee turnover.

- **Goodwill**

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Group relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in note 12. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

- **Leases**

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate inherent in the lease. If this is not readily determinable then the lessee's incremental borrowing rate is used. In the determination of the incremental borrowing rate used to measure lease liabilities at present value, management have used judgement to estimate the rate applicable.

- **Valuation of acquired intangible assets**

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately recognised the intangible assets acquired during the acquisition (see note 12).

The fair value of these acquired intangible assets is based on valuation techniques. The valuation models require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of acquired intangible assets as of the acquisition date. The value of intangible assets is tested for impairment when there is an indication that they might be impaired (see below). The management must also make assumptions about the useful life of the acquired intangible assets which might be affected by external factors.

4. SEGMENTAL REPORTING

For the purpose of IFRS 8, the chief operating decision maker takes the form of the Board of Directors. The Directors' opinion is that the business of the group is to provide cloud-based e-commerce solutions. Based on this, there is one reportable segment. The internal and external reporting is on a consolidated basis with transactions between group companies eliminated on consolidation.

	2019	2018
	£'000	£'000
Revenue by type		
SaaS	**17,745**	15,241
Services	**1,689**	1,903
Total Revenue	**19,434**	17,144
Cost of Sales by type		
SaaS	**3,719**	3,660
Services	**1,635**	1,954
Total Cost of Sales	**5,354**	5,614
Gross profit	**14,080**	11,530

There is one customer which contributes more that 10% which is £2.5m of the Group's revenues (2018: 1 customer - contributing £2.4m).

The table below provides an analysis of the Group's revenue by geographical market where the customer is based.

	2019	2018
	£'000	£'000
Geographical split of revenue		
UK	**10,255**	9,840
France	**3,616**	1,631
Netherlands	**2,111**	2,079
Rest of Europe	**2,532**	2,607
Rest of the World	**920**	987
Total Revenue	**19,434**	17,144

5. EXCEPTIONAL ITEMS

During 2019, total exceptional costs incurred £1,507,000 (2018: £563,000) of which £580,000 relates to restructuring and £927,000 relates to the legal and professional advice associated with the acquisition and post-acquisition integration. The exceptional costs for 2018 consist of 448,000 relates to the change in CEO.

6. LOSS FROM OPERATIONS

	2019	2018
	£'000	£'000
Loss from operations is taken after taking account of the following items:		
Staff costs (see note 7)	**11,917**	9,905
Depreciation of property, plant and equipment (see note 10)	**161**	62
Amortisation of intangible assets (see note 12)	**2,387**	1,586
Amortisation of Right of use assets (see note 11)	**466**	-
Operating lease expense	**204**	716
Research and Development costs	**1,139**	762
Foreign exchange (profit)/loss	**(92)**	104
Audit and non-audit services:		
Fees payable to the company's auditors for the audit of the Group annual accounts:		
Group annual accounts and subsidiary undertakings	**162**	112
Fees payable to the company's auditor and its associates for other services:		
Tax services	**25**	22
Other services	**28**	12

7. STAFF COSTS

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

(No.)	**2019**	2018
Sales	**18**	16

Technical	**102**	82
Management (including directors)	**8**	11
Administration	**30**	24
	158	133

The average number of full-time equivalent persons employed by the Group during the year, analysed by category, was as follows:

(No.)	**2019**	2018
Sales	**18**	16
Technical	**102**	82
Management (including directors)	**7**	8
Administration	**29**	24
	157	130

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	**9,771**	8,096
Social security contributions and similar taxes	**1,632**	1,119
Pension	**329**	255
Share Based Payment	**185**	435
	11,917	9,905

Capitalised staff costs total £853,000 (2018: £696,000). Pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2019 were £70,000 (2018: £30,000).

8. TAXATION

	2019	2018
	£'000	£'000
Tax (credit)/charge comprises:		
Current tax on loss for the year	**(85)**	290
Deferred Tax for the year	**(301)**	(241)
	(386)	49

The effective tax assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK.
The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

	2019	2018
	£'000	£'000
Loss for the year	**(4,408)**	(2,713)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2018 - 19.00%)	**(838)**	(515)
Expenses not deductible for tax purposes	**84**	84
Prior year adjustment	-	(31)
Fixed asset differences	**(8)**	37
Unrelieved losses arising in the period	**625**	503
Additional deduction for R&D expenditure	**(287)**	(87)
Surrender of tax losses for R&D tax credit refund	**67**	36
Changes in rates of tax	**(15)**	(49)
Adjustment for different rates of corporation taxation in overseas jurisdictions	**(14)**	71
Total tax (credit)/charge	**(386)**	49

At 31 December 2019, tax losses estimated at £7.5m (2018: £5.3m) were available to carry forward by the Attraqt group, arising from historic losses incurred. Management believe it is prudent not to recognise the deferred tax asset until they can be utilised against future profits. The prior year reconciliation has been restated to reconcile to total tax.

DEFERRED TAX

	£'000
At 1 January 2018	1,682
FX movement	16
Recognised in profit or loss	(222)
At 31 December 2018	1,476
Acquired through business combinations	**2,022**
Recognised in profit or loss	**(301)**
At 31 December 2019	**3,197**

Categorised as:	**2019**	2018
	£'000	£'000
Current	-	222
Non-current	**3,197**	1,254

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date.

9. LOSS PER SHARE

	2019	2018
	£'000	£'000
Numerator		
Loss for the year and loss used in basic and diluted EPS	**(4,022)**	(2,762)
Denominator		
Weighted average number of shares used in basic and diluted EPS	**149,970,774**	106,368,589
Loss per share - basic and diluted	**(2.7p)**	(2.6p)

The outstanding share options calculation are antidilutive, due to loss made in the year.

If they were to be included, the weighted average number of shares would be 161,346,498 (2018: 113,561,765) and the loss per share would be 2.5 pence (2018: 2.4 pence).

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Plant and Machinery	Fixtures and Fittings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	-	399	4	403
Additions	-	70	-	70
Disposals	-	(207)	(2)	(209)
At 31 December 2018	-	262	2	264
Additions	**124**	**86**	**72**	**282**
Acquired through business combinations	**-**	**28**	-	**28**
Foreign exchange	**-**	**7**	-	**7**
Disposals	**-**	**(43)**	-	**(43)**
At 31 December 2019	**124**	**340**	**74**	**538**
Depreciation				
At 1 January 2018	-	244	2	246
Charge for the year	-	62	-	62
Foreign exchange	-	(4)	-	(4)
Disposals	-	(207)	(1)	(208)
At 31 December 2018	-	95	1	96
Charge for the year	**15**	**127**	**19**	**161**
Foreign exchange	**-**	**3**	-	**3**
Disposals	**-**	**(40)**	-	**(40)**
At 31 December 2019	**15**	**185**	**20**	**220**
Net Book Value				
At 1 January 2018	-	155	2	157
At 31 December 2018	-	167	1	168
At 31 December 2019	**109**	**155**	**54**	**318**

11. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Amounts recognised on the statement of financial position	Leasehold Properties	Total
	£'000	£'000
Cost		
At 1 January 2019	349	349
Additions	**839**	**839**
Remeasurement of lease	**425**	**425**
Acquired through business combinations	**207**	**207**
At 31 December 2019	**1,820**	**1,820**
Depreciation		
At 1 January 2019	-	-
Charge for the year	**466**	**466**
At 31 December 2019	**466**	**466**
Net Book Value		
At 31 December 2019	**1,354**	**1,354**

The Group lease various offices. Rental contracts are typically made for fixed periods between 12 months and 6 years but may have extension options as well as leases that include rolling contractual periods when the existing lease expires these are described below.

Extension and termination options are included in some of the property leases across the group. These are used to maximise operational flexibility in terms of managing assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise and option, or not exercise the option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management have determined that termination option for the London office will not be exercised and that the lease term for offices in France and Netherlands will be extended for a further 12 months from the current termination date.

At 31 December 2019, following a period of integration of Early Birds operations into the Group and restructuring of international operations, the expected lease end dates for two property leases held on rolling lease terms were extended for a further 12 months until April 2021 and May 2021, to reflect updated office space requirements. The addition relates to a new office lease taken on in the year.

Amounts recognised in the statement of profit or loss	2019
	£'000
Depreciation	**466**
Interest expense	**56**
Expenses relating to short term leases and low value assets	**204**
	726
Total cash outflow for lease in 2019	**449**

Lease liability recognised as at 31 December 2019	
Of these which are:	
Current lease liabilities	**573**
Non-current lease liabilities	**857**
	1,430

12. INTANGIBLE ASSETS

	Goodwill	Customer Relationships	Existing Technology	Trademark	Software Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2018	16,582	4,394	4,803	788	1,921	28,488

Additions - internally developed	-	-	-	-	696	696
Foreign Exchange	3	45	1	-	16	65
At 31 December 2018	16,585	4,439	4,804	788	2,633	29,249
Additions - internally developed	**-**	**-**	**-**	**-**	**946**	**946**
Acquired through business combinations	**9,064**	**2,295**	**3,881**	**348**	**644**	**16,232**
Foreign Exchange	**-**	**(25)**	**-**	**-**	**-**	**(25)**
At 31 December 2019	**25,649**	**6,709**	**8,685**	**1,136**	**4,223**	**46,402**
Amortisation						
At 1 January 2018	-	424	559	64	1,185	2,232
Charge for the period	-	318	686	79	503	1,586
Foreign Exchange	-	(10)	-	-	9	(1)
At 31 December 2018	-	732	1,245	143	1,697	3,817
Charge for the period	**-**	**551**	**912**	**99**	**825**	**2,387**
Foreign Exchange	**-**	**-**	**-**	**-**	**44**	**44**
At 31 December 2019	**-**	**1,283**	**2,157**	**242**	**2,566**	**6,248**
Net Book Value						
At 1 January 2018	16,582	3,970	4,244	724	736	26,256
At 31 December 2018	16,585	3,707	3,559	645	936	25,432
At 31 December 2019	**25,649**	**5,426**	**6,528**	**894**	**1,657**	**40,154**

The net book value and expiry dates for the most significant intangibles are as follows:

	Expiry Fredhopper BV	**Expiry Early Birds SAS**	**Early Birds SAS Net book value**	**Fredhopper BV Net book value**	Fredhopper BV Net book value
			£'000	**£'000**	£'000
			2019	**2019**	2018
Customer relationships	2028	2028	**2,146**	**3,280**	3,707
Existing technology	2024	2029	**3,655**	**2,873**	3,559
Trademark	**2027**	**2029**	**328**	**566**	**645**

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. There is only one CGU as services are tied to SaaS revenue. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The carrying amount of goodwill is allocated to the cash generating units (CGUs) as follows:

	2019	2018
	£'000	£'000
Attraqt Group plc	**25,649**	16,585

The key assumptions used in the estimation of the recoverable amounts are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical internal data:

	2019	2018
Discount rate	**20.5%**	20.9%
Revenue growth rate	**12%**	12%
Budgeted EBITDA margin (average of next 5 years)	**10%**	11%
Terminal growth rate	**1.5%**	1.5%

The cash flow projections include specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on long term inflation growth rate due to the expectations of the market in which Attraqt Group plc operates.

The discount rate was a pre-tax measure based on weighted average cost of capital, with no debt leveraging.

Budgeted EBITDA is estimated by taking into account past practice as follows:

- Revenue is assumed to grow at 12% based on historical growth and management's expectations of future trends.
- The cost base is assumed to grow as a result for the full year effect for the Early Birds acquisition and grow on average at 8% over the next three years.
- The estimated recoverable amount of the CGU exceeds its carrying amount.

Management has identified that a reasonably possible change in the following key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percent	**2019**	2018
Discount rate	**21.8**	26.7
Revenue growth rate	**(3.6)**	(5.0)

13. ACQUISITIONS

On 29 May 2019, the Company acquired 100% of the issued equity instruments of Early Birds SAS from AB2 (Arts et Biens), EB Growth and other minority shareholders. Early Birds SAS is a company whose principal activity is to provide site personalisation software to a variety of companies including blue chip clients and online retailers. The principal reason for this acquisition was to add new capabilities to existing technology. The acquisition has provided a strong presence in France.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill as follows:

	Book Value	**Adjustment**	**Fair Value**
	£'000	£'000	£'000
Customer relationships	-	2,295	2,295
Technology	644	3,881	4,525
Trademark	-	348	348
Property, plant and equipment	29	-	29
Right of use asset	-	207	207
Trade receivables	490	-	490
Other receivables	271	-	271
Trade payables	(270)	-	(270)
Other current payables	(502)	-	(502)
Deferred revenue	(559)	-	(559)

Lease liability	-	(207)	(207)
Deferred tax liability	-	(2,022)	(2,022)
Total Net Assets	**103**	**4,502**	**4,605**

Consideration	**£'000**
Cash Transferred	11,316
Shares transferred at fair value (£0.27p per share, see note 17)	2,794
Total Consideration	14,110

There is no contingent consideration on the Early Birds acquisition.

Goodwill

	£'000
Equity value	14,110
Cash received via acquisition	(441)
Consideration transferred	13,669
Fair value of identifiable net assets	(4,605)
Goodwill (Note 12)	9,064

The main factors leading to the recognition of goodwill are as follow:

- Future customer relationships
- Future technology
- Assembled workforce of the acquired business, which do not qualify for separate recognition.

The goodwill recognised will not be deductible for tax purposes.

Since the acquisition date, the Early Birds entities have contributed £1,869,000 to Group revenues and £75,000 losses. If the acquisition had occurred in 1 January 2019, Early Birds entities would have contributed £3,064,000 to Group Revenues and £176,000 losses.

14. SUBSIDIARY UNDERTAKINGS

As at 31 December 2019, the subsidiaries of Attraqt Group plc, all of which have been included in these consolidated financial statements, are as follows:

Name	**Proportion of ownership Interest**	**Country of Incorporation and principal place of business**	**Registered Office**
Attraqt Limited	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Attraqt Inc. [1]	100%	USA	330 N Wabash Ave, Chicago, IL 60611, USA
Early Birds London Limited [3]	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Early Birds SAS	100&	France	10 Rue Treilhard. 75008, Paris, France
Fredhopper BV	100%	Netherlands	Wework Metropool, Weesperstraat, 61-105 Amsterdam 1018VN
Fredhopper Limited[2]	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Spring Technologies EOOD[2]	100%	Bulgaria	Sredets, 1124, 47A, Tsarigradskok shosse blvd, bl. B, fl. 2, apt. 201A
Fredhopper SARL[2]	100%	France	RCS Paris27 Avenue de l'Opéra, 75001, Paris, France
Fredhopper GmbH[2]	100%	Germany	Neuer Wall 63, 20354 Hamburg, Germany
Fredhopper (Australia) Pty Limited[2]	100%	Australia	Level 19, 207 Kent St, Sydney NSW 2000

1 - Held through Attraqt Limited
2 - Held through Fredhopper BV
3 - Held through Early Birds SAS

The principal activity of all companies with the Group is the provision of software as a service.

15. TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	£'000
Trade receivables	**4,380**	4,131
Less: expected credit losses	**(95)**	(31)
Trade receivables - net	**4,285**	4,100
Prepayments and accrued income	**746**	687
Other receivables	**370**	149
Total trade and other receivables	**5,401**	4,936

Trade receivables comprise amounts due from customers for goods sold or services performed in the ordinary course of business. Invoices to customers are settled between 30 - 90 day credit terms with the average being 45 days of the date of issue. The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date. A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's receivables and the perceived credit quality of its customers.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using lifetime expected loss rates, these have been derived from historical default rates or the Group, adjusted for credit quality of each customer and forward looking estimates including consideration for the risk of a downturn in the high street.

Expected credit losses

The lifetime expected loss provision for the trade receivables is as follows:

31 December 2019	**Current**	More than 30 days old	More than 60 days old	More than 120 days old	Total
Expected loss rate	**0%**	**3.3%**	**6.6%**	**23%**	
Gross carrying amount	**3,899**	**240**	**105**	**72**	**4,316**
Loss provision	**-**	**8**	**7**	**16**	**31**
Gross carrying amount for lifetime credit loss	**-**	**-**	**-**	**64**	**64**
Loss provision for lifetime credit loss	**-**	**-**	**-**	**64**	**64**
Total loss provision		**8**	**7**	**80**	**95**

31 December 2018	**Current**	More than 30 days old	More than 60 days old	More than 120 days old	Total
Expected loss rate	**0%**	0%	3%		
Gross carrying amount	**3,975**	65	62	-	4,102
Loss provision	**-**	-	2	-	2
Gross carrying amount for lifetime credit loss	**-**	-	29	-	29
Loss provision for lifetime credit loss	**-**	-	29	-	29
Loss provision	-	-	2	-	31

At 31 December 2019 trade receivables of £64,000 (2018: £29,000) had lifetime expected credit losses of the full value of the receivables. All other trade receivables have been calculated on a 12 month expected credit loss rate.

	2019	2018
	£'000	£'000
As at 1 January	**31**	112
Write off	**(7)**	(41)
Released	**-**	(40)
Acquired through business combinations	**15**	-
Recognised	**58**	-
FX movement	**(2)**	
As at 31 December	**95**	31

16. CASH AND CASH EQUIVALENTS

	2019	2018
	£'000	£'000
Cash at bank	**4,048**	509
Bank loan	**(98)**	-
	3,950	509

The Group acquired the bank loan as part of the Early Birds acquisition, the terms of loan are interest free and is repayable over five years.

17. SHARE CAPITAL AND RESERVES

Allocated, called up and fully paid

	2019	2019	2019	2018	2018	2018
		£'000	**£'000**		£'000	£'000
	Number of Shares	**Share capital**	**Share Premium**	Number of Shares	Share capital	Share Premium
Ordinary shares of £0.01 each						
At 1 January	**106,368,589**	**1,063**	**30,108**	106,368,589	1,063	30,108
Shares issued for cash during the year	**63,333,334**	**633**	**15,718**	-	-	-
Shares issues to Early Birds sellers as part of the acquisition during the year	**10,346,284**	**104**	**2,690**	-	-	-
At 31 December	**180,048,207**	**1,800**	**48,516**	106,368,589	1,063	30,108

The Company raised £17,100,000 before expenses, by a private placing of 63,333,334 1p Ordinary shares at 27p on 29 May 2019. 10,346,284 Ordinary shares were issued to the sellers as consideration for the acquisition of Early Birds SAS.

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

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Share based payment reserve	The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.
Merger reserve	The merger reserve results from the application of merger accounting on the merger of Attraqt Inc, Attraqt Limited, Early Birds SAS and Early Birds London Limited.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

18. SHARE BASED PAYMENTS

The company operates two equity-settled share based remuneration schemes for employees: a United Kingdom tax authority approved scheme and an unapproved scheme for executive directors and certain senior management. Both options are valid for 10 years from the date of grant. After satisfaction of any performance condition included in the award the options will become exercisable on the earlier of any of the following events:

- The third anniversary of the date of grant;
- On a change of Control of the Company as defined in the Plan rules;
- On a Sale or Disposal of the Company as defined in the Plan rules; or
- Following the exercise of discretion by the Board.

Details of the number of share options and the weighted average exercise price outstanding during the year are as follows:

		2019 WAEP		2018 WAEP
	Number	**Price (pence)**	Number	Price (pence)
Outstanding at the beginning of the year	**10,431,116**	**34.80**	6,794,897	36.97
Granted during the year	**3,051,185**	**30.35**	4,254,743	32.00
Forfeited during the year	**(874,483)**	**34.42**	(618,524)	43.15
Outstanding at the end of the year	**12,607,818**	**31.67**	10,431,116	34.80
Exercisable at the year end	**1,578,992**	**42.98**	2,361,472	39.54

The options outstanding at the year-end are set out below:

			2019		2018	
			Share options	**Remaining life**	Share options	Remaining life
Date of Grant	**Expiry Date**	**Exercise Price (p)**	**(Number)**	**(Years)**	(Number)	(Years)
24-Jul-13	24-Jul-23	31.59	**246,600**	**4**	986,500	5
29-May-14	29-May-24	31.59	**177,590**	**5**	177,590	6
19-Aug-14	19-Aug-24	31.59	**177,590**	**5**	177,590	6
25-Sep-15	25-Sep-25	50.00	**977,212**	**6**	1,019,792	7
15-Dec-17	15-Dec-27	35.00	**3,722,898**	**8**	3,722,898	9
25-May-18	25-May-28	31.50	**3,191,058**	**8**	3,191,058	9
06-Aug-18	06-Aug-28	33.50	**1,063,685**	**9**	1,063,685	10
25-May-19	25-May-29	27.00	**1,688,685**	**9**	-	-
16-Aug-19	16-Aug-29	34.50	**1,362,500**	**10**	-	-

The company uses a Black Scholes model to estimate the fair value of share options.

The following information is relevant in the determination of the fair value of options granted. The assumptions inherent in the use of this model are as follows:

- The option life is the estimated average period over which the options will be exercised.
- There are no vesting conditions remaining which apply to the share options other than that they vest at the earlier of 3 years' continued service with the Group.
- No variables change during the life of the option (e.g. dividend yield remains zero).
- Volatility has been calculated over a 3 year period prior to the grant date.
- Expectations of staff retention over the vesting period have been calculated by reference to the three year period prior to the grant date.

Details of the share options granted as follows:

Grant date	25-May-19	16-Aug-19
Option pricing model	Black Scholes	Black Scholes
Number of shares	1,688,685	1,362,500
Fair Value per share at grant date	15.3p	14.1p
Share price on grant date	33.0p	34.5p
Exercise price (£)	27.0p	34.5p

Weighted average contractual life	3 years	3 years
Staff retention rate	-	-
Risk-free interest rate	0.795%	0.766%
Volatility	60%	61%
Total Fair Value (£)	258,369	192,591

The total expense recognised during the year by the Group, for all schemes, was £185,000 (2018: £435,000). The weighted average remaining life of the options outstanding at the end of the year was 8.1 years (2018: 8.4 years). No options were exercised during the year.

19. TRADE AND OTHER PAYABLES

	2019	2018
	£'000	£'000
Trade payables	1,055	775
Accrued and other payables	891	649
Lease liability	573	-
Other taxes	469	490
Deferred tax	-	222
Deferred income	5,438	5,196
Employee benefits	1,398	622
Employee taxes	358	232
Total Trade and other payables	**10,182**	8,186

20. COMMITMENTS

The total future value of minimum short term and low value operating lease payments is due as follows:

	2019	2018
	£'000	£'000
Not later than one year	66	418
Later than one year and not later than five years	6	120
	72	538

21. FINANCIAL RISK MANAGEMENT AND IMPAIRMENT OF FINANCIAL ASSETS

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

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

A summary of the financial instruments held by category is provided below.

Financial assets at amortised cost	2019	2018
Current	£'000	£'000
Trade receivables	4,285	4,100
Other receivables	370	149
	4,655	4,249
Cash and cash equivalents	3,950	509

All financial assets held by the Group at 31 December 2019 are classified as cash and cash equivalents or loans and receivables and there is no difference between the carrying amount and the fair value.

Financial liabilities at amortised cost	2019	2018
	£'000	£'000
Trade payables	1,055	775
Lease liabilities	1,427	-
Employee benefits	2,289	1,271
	4,771	2,046

All financial liabilities held by the Group at 31 December 2019 are classified as held at amortised cost.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Chief Executive Officer. The Board receives reports from the Company Chief Financial Officer through which reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings take into account local business practices. The carrying amount of financial assets represents the maximum exposure. The credit quality of all financial assets that are neither past due nor impaired is high. In accordance with internal policy, Attraqt promptly identifies the deterioration of the financial condition for our customer base by monitoring the credit ratings and publicly available information. The risk is not expected to be material as payment is generally received in advance of services and good provided.

The Group considered if that there was an impairment if any of the following indicators were present:

- Significant financial difficulties of the debtor
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or late payments (more than 30 days past payment due date)

Receivables for which an impairment provision was recognised was written off against the provision when there was no expectation of recovering additional cash.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables are provided in note 15.

Foreign exchange risk

Foreign exchange risk arises when the group entities enter into transactions denominated in a currency other than the functional currency. The Group's policy is, where possible, to allow entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

In order to monitor the continuing effectiveness of this policy, the CFO reviews a monthly forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

Transaction risk

The Group's material transaction exposure arises on costs denominated in currencies other than the functional currency of the Group, including salaries and our hosting platform. This has been mitigated as far as possible by matching revenue and costs with the respective currencies in each of the subsidiaries locations resulting in an immaterial foreign currency risk at an entity level. Foreign currencies are not hedged.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. The Group manages the risk that it will encounter difficulty in meeting its financial obligations as they fall due by forecasting its short-term cash position on a regular basis.

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 (or agreed facilities) to meet expected requirements for a period of at least 30 days.

The Board receives rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

In the management of liquidity risk, the group monitors and tries to maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

2019 £'000	Up to 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Trade and other payables	3,344	-	-	-	-
Lease liabilities	144	429	349	429	79
	3,488	429	349	429	79

2018 £'000	Up to 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years
Trade and other payables	2,046	-	-	-	-
	2,046	-	-	-	-

22. RELATED PARTY TRANSACTIONS

During the year Group companies entered into the following transactions with related parties who are not members of the Group.

	Purchase of services		Amounts owed to related parties	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Azini Capital Partners[1]	40	103	-	-
Taylor Wessing[2]	40	40	12	12
Taylor Wessing[3]	295	55	-	12

1. Azini Capital Partners - Nick Habgood is a partner in Azini Capital Partners, and his Directors fees were paid to Azini Capital.
2. Robert Fenner is a partner in Taylor Wessing LLP, and his Directors fees were paid to Taylor Wessing LLP.
3. During the current year Taylor Wessing provided various legal and professional fees, in the prior period, the fees were in relation to the Fund raising and acquisition of Early Birds SAS.
4. Azini Capital Partners - Nick Habgood's daughter is employed by the Group and was paid market rate salary as an Account Manager.

Details of the directors' emoluments, together with the other related information, are set out in the Report of the Remuneration Committee.

Key Management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, which comprises only the directors of the company.

	2019	2018
	£'000	£'000
Salary, Director fees, bonus and benefits in kind	556	828
Share based payments	321	257
	877	1,085

Further information about the remuneration of individual Directors is provided in the Directors remuneration report on page 25.

The Employer's National Insurance contributions expensed in the period relevant to the Key management personnel compensation was £80,000 (2018: £88,000).

23. EVENTS AFTER THE REPORTING PERIOD

There are no events arising after the reporting date that require recognition or disclosure in the financial statements for the year ended 31 December 2019.

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

Financial Statements

Company number: 08904529

	Notes	2019	2018
		£'000	£'000
Non-current assets			
Investments	2	39,105	24,405
Amounts owed by group undertakings		8,736	4,530
Total non-current assets		47,841	28,935
Current assets			
Trade and other receivables	3	214	130
Total current assets		214	130
Total assets		48,055	29,065
Current Liabilities			
Trade and other payables	4	161	126
Total current liabilities		161	126
Net Assets		47,894	28,939
Equity			
Share capital	5	1,800	1,064
Share premium	5	48,516	30,108
Share based payment	6	1,423	1,238
Retained earnings		(3,845)	(3,471)
Total equity		47,894	28,939

The information contained this preliminary results announcement has been prepared on the basis of the accounting policies which have been set out in the Group's financial statements for the year ended 31 December 2019 and do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The financial statements for the year ended 31 December 2019 which were prepared in accordance with International Financial reporting Standards (IFRS) as adopted by the EU have been reporting on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by what of emphasis and did not contact statements under Section 498 (2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2019 have been finalised on the basis of the financial information presented by the directors in this preliminary announcement. The auditors have issued an unmodified opinion in respect of the year ended 31 December 2019.

Company income statement
As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's result after taxation for the financial year was a loss of £374,000 (2018: loss £344,000).

The accompanying accounting policies and notes form an integral part of these financial statements.

Eric Dodd
Director
Date: 3 March 2020

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

Financial Statements

	Note	Share Capital	Share premium	Sha bas pay res
		£'000	£'000	
Balance at 1 January 2018		**1,064**	**30,108**	
Loss for the year		-	-	
Total comprehensive loss for the year		**-**	**-**	
Contributions by and distributions to owners				
Share based payment charge		-	-	
Total contributions by and distributions to owners		**-**	**-**	
Balance at 31 December 2018		**1,064**	**30,108**	
Loss for the year		-	-	
Total comprehensive loss for the year		**-**	**-**	
Contributions by and distributions to owners				
Shares issued	5	736	19,156	
Issue costs	5	-	(748)	
Share based payment charge	6	-	-	
Total contributions by and distributions to owners		**736**	**18,408**	
Balance at 31 December 2019		**1,800**	**48,516**	

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

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Share based payment reserve	The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The accompanying accounting policies and notes form an integral part of these financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2019
Financial Statements

1. ACCOUNTING POLICIES

Basis of preparation
The company financial statements have been prepared in accordance with Financial Reporting Standard *100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework.*

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, unless otherwise stated.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

Disclosure exemptions adopted
In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- share-based payments
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by Attraqt Group plc.

Revenue

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Where work is completed at the year-end but not invoiced, the Attraqt Group accrues for this income. The Group derives the majority of its revenue from the provision of e-commerce services via a license fee to online retailers which includes site search, merchandising and product recommendation technology. The Group determines the transaction price to which it expects to be entitled in return for providing the promised obligation to the customer based on the committed contractual amounts fixed cost agreed it with clients. The Group has the following revenue streams:

SaaS license fee: In the case of SaaS Licence Fee only contracts, revenue is recognised over time as the customer has access to the vendor's intellectual property as it exists at any given time throughout the licence period. Implementation fees associated with these licenses are recognised over the transaction period.

On-going services: Revenue in relation to Technical Consulting/Business consulting contracts have distinct performance obligations I.e. the number of consulting days defined in the contract, will be recognised at a point in time according to time and materials used - therefore, once the customer consumes the benefits from the service provided, the revenue is recognised. Revenue from the sale of prepaid services are deferred until such time that the client utilises the services, or the contract expires.

Expense recognition

Expenditure is reported on an accruals basis. Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

Financial Instruments

Financial assets

Debt instruments at amortised cost - loans and receivables

The Company's other receivables comprise of loans and other receivables in the statement of financial position. These are measured at amortised cost.

Impairment

The impairment stages are defined as:

Stage 1 - When a receivable is recognised, ECLs resulting from default events that are possible within the next 12 months are expensed to the statement of comprehensive income (12-month ECL) and a loss allowance is established. On subsequent reporting dates, 12-month ECL also applies to existing receivables with no significant increase in credit risk since their initial recognition. In determining whether a significant increase in credit risk has occurred since initial recognition, the Company assesses the change, if any, in the risk of default over the expected life of the receivable (that is, the change in the probability of default, as opposed to the amount of ECLs).

Stage 2 - If the receivables credit risk has increased significantly since initial recognition and is not considered low, lifetime ECLs are recognised.

Stage 3 - If the receivables credit risk increases to the point where it is considered credit-impaired, lifetime ECLs are recognised, as in Stage 2.

The Company assesses trade receivables on applying the simplified approach, calculating lifetime expected credit losses based on forward looking information.

For intercompany receivables the company applies the general approach and determines the credit risk of each company within the group and the likelihood of repayment should the debt be called upon. Therefore, the impairment methodology applied for the intercompany receivables is stage 1, which require 12 month expected credit losses to be recognised until a change in credit risk occurs where it is considered irrecoverable in which case stage 3 would apply.

Financial liabilities

Other financial liabilities

Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There were no material judgements or estimates used on application of IFRS 9 *Financial Instruments* or IFRS 15 *Revenue from contracts with customers*, there were no contracts that straddled year end which required any judgement. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

Estimates

- **Share based payments**

Share options are recognised as an expense based on their fair value at date of grant. The fair value of the options is estimated through the use of a valuation model - which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life - and is expensed over the vesting period. Some of the inputs used to calculate the fair value are not market observable and are based on estimates derived from available data, such as employee exercise behaviour and employee turnover (Consolidated Financial Statements Note 18).

- **Investments**

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use (Note 2).

- **Intercompany receivables**

The Company's intercompany receivable balance is carried at amortised cost less provision for expected credit losses, management have assessed the probability of default to estimate the impact of credit loss (Note 7).

2. INVESTMENTS

	2019	2018
	£'000	£'000
As at 1 January	**24,405**	23,970
Additions	**14,700**	435
As at 31 December	**39,105**	24,405

On 29 May 2019, the Company acquired 100% of the issued equity instruments of Early Birds SAS. Initial investment was £14,517,000, including acquisition costs of £407,000.

As at 31 December 2019, the subsidiaries of Attraqt Group plc, all of which have been included in these consolidated financial statements, are as follows:

Name	**Proportion of ownership Interest**	**Country of Incorporation and principal place of business**	**Registered Office**
Attraqt Limited	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Attraqt Inc. [1]	100%	USA	330 N Wabash Ave, Chicago, IL 60611, USA
Early Birds London Limited [3]	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Early Birds SAS	100%	France	10 Rue Treilhard. 75008, Paris, France
Fredhopper BV	100%	Netherlands	Wework Metropool, Weesperstraat, 61-105 Amsterdam 1018VN
Fredhopper Limited[2]	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Spring Technologies EOOD[2]	100%	Bulgaria	Sredets, 1124, 47A, Tsarigradskok shosse blvd, bl. B, fl. 2, apt. 201A
Fredhopper SARL[2]	100%	France	RCS Paris27 Avenue de l'Opéra, 75001, Paris, France
Fredhopper GmbH[2]	100%	Germany	Neuer Wall 63, 20354 Hamburg, Germany
Fredhopper (Australia) Pty Limited[2]	100%	Australia	Level 19, 207 Kent St, Sydney NSW 2000

1 - Held through Attraqt Limited
2 - Held through Fredhopper BV
3 - Held through Early Birds SAS

The principal activity of all companies with the Group is the provision of software as a service.

The Company's investment in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value in use calculated using the same assumptions as noted for the testing of goodwill impairment in note 12 of the Group financial statements.

3. TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	£'000
Prepayments	**82**	24
Trade receivables	**113**	106

	2019	2018
VAT	**19**	-
	214	130

The fair values of trade and other receivables are not materially different to their carrying values.

4. TRADE AND OTHER PAYABLES

	2019	2018
	£'000	£'000
Trade payables	**27**	30
Other payables	**-**	7
Deferred income	**85**	79
Accruals	**49**	10
	161	126

All financial liabilities held by the Company at the end of the reporting period are classified as held at amortised cost.

5. SHARE CAPITAL

Allocated, called up and fully paid

	2019	**2019**	**2019**	2018	2018	2018
		£'000	**£'000**		£'000	£'000
	Number of Shares	**Share capital**	**Share Premium**	Number of Shares	Share capital	Share Premium
Ordinary shares of £0.01 each						
At 1 January	**106,368,589**	**1,064**	**30,108**	106,368,589	1,064	30,108
Shares issued for cash during the year	**63,333,334**	**633**	**15,718**	-	-	-
Shares issued to Early Birds sellers as part of the acquisition during the period	**10,346,284**	**103**	**2,690**	-	-	-
At 31 December	**180,048,207**	**1,800**	**48,516**	106,368,589	1,064	30,108

In 2019, the Company raised £17,100,000, before expenses, by a private placing of 63,333,334 1p Ordinary shares at 27p on 29 May 2019. 10,346,284 Ordinary shares were issued to the sellers as consideration for the acquisition of Early Birds SAS.

6. SHARE BASED PAYMENTS

For details of the share based payments please refer to the Group note 18.

7. FINANCIAL INSTRUMENTS

	2019	2018
	£'000	£'000
Trade and intercompany receivables	**8,849**	4,530
Financial assets at amortised cost	**8,849**	4,530
Trade and other payables	**76**	126
Financial liabilities at amortised cost	**76**	126

Intercompany receivables have been assessed and it has been considered that one entity is at Stage 3 and therefore a loss allowance of £486,000 has been calculated, this is based on a range of probabilities for repayment of the balance.

8. EMPLOYEES

The company had no employees during the year (2018: none) excluding directors.

END

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