ATTRAQT Group PLC - ATQT Half Year results
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ATTRAQT Group PLC
18 September 2019

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

Half Year results
Transformational acquisition completed adding powerful competencies

Attraqt Group plc (AIM:ATQT), the provider of SaaS solutions that power exceptional online shopping experiences, is pleased to announce its unaudited results for the six months ended 30 June 2019.

GROUP FINANCIAL HIGHLIGHTS

- Revenue increased 7% to £9.0m (HY2018: £8.4m)
- Gross profit increased by 35% to £6.6m (HY2018: £4.9m)
- Adjusted EBITDA[1] profit was £0.3m (HY2018: £0.2m loss)
- Loss before tax was £1.9m (HY2018: £1.8m)
- Basic EPS loss 1.4p per share (HY2018: 1.7p loss per share)
- Operating cashflow of £0.6m (HY2018: £0.4m)
- Cash at the period end was £6.3m (FY2018: £0.5m)

OPERATING HIGHLIGHTS

- Transformational acquisition of Personalisation Platform provider, Early Birds SAS, completed on 29 May 2019
- 11 multi-year contracts with a total renewal value of £3.9m in H1 2019 (HY 2018: 4 contracts worth £0.3m)
- Annual Recurring Revenue increased to £18.9m (HY2018: £15.2m)
- A number of new logos were signed including Joules, a worldwide soft drink manufacturer and a French multinational telecommunications corporation
- A number of new brands have gone live in the UK, Nordics, France and Australia.

COMMENT FROM LUKE MCKEEVER, CHIEF EXECUTIVE OFFICER OF ATTRAQT GROUP

"The past six months have been a milestone period for the Group. We have made great strides in the implementation of our refreshed strategy and it has been pleasing to see that all of the hard work we have undertaken operationally can be seen through the improvement in our financial performance.

The acquisition of Early Birds, completed in May this year, was a transformational step and immediately accelerated our strategy by several means. The addition of its algorithm orchestration capabilities underpin and accelerate our roadmap, its additional real-time data-capture capability expands our data-led approach, and it has opened up a key new geography by providing a strong foothold in the French market. More importantly, it has enhanced our capability in the key area of Artificial Intelligence, and Attraqt is now poised to provide our clients with a truly innovative offering.

Current trading is in line to meet full year expectations and we continue to be excited by the prospects for the Group. We believe we now have the fundamentals in place to deliver improved growth."

A video overview of the results from the CEO, Luke McKeever is available to watch here: http://bit.ly/ATQT_H119

FOR FURTHER INFORMATION, PLEASE CONTACT:

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

REGISTERED OFFICE AND HEAD OFFICE

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ABOUT ATTRAQT GROUP

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

CAUTIONARY STATEMENT

This interim announcement contains certain forward-looking statements relating to the business of Attraqt Group plc (the "Company") and its subsidiaries (collectively, the "Group"). They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The Group is providing the information in this interim announcement as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CHIEF EXECUTIVE STATEMENT

I am very pleased to report on a busy period for the Group, where we have achieved robust financial results alongside significant operational progress. Our team has been hard at work continuing to put into effect our refreshed strategy, which as announced in February 2019 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. I am delighted to say that we have already delivered demonstrable progress against these goals.

The operational progress we have made has flowed through into improvements in our financial KPIs. Revenue was up 7%, with 4% of that being organic, to £9m. The organic growth was driven by significant upsells into our existing customer base. Gross profit increased 35% to £6.6m, and gross margin improved across both SaaS and Services, by three percentage points and 14 percentage points respectively.

Alongside this, several of our operational KPIs have advanced, demonstrating our continued focus on operational excellence. Our Net Promoter Score, for example, is steadily increasing, with us now consistently receiving scores which are widely accepted as between 'good' and 'excellent'. Our ambition is to move into a market leading position in the near term. Through tracking progress using data at every stage of the journey, we underpin our ability to drive sales and marketing execution.

Our acquisition of Early Birds, the artificial intelligence powered SaaS personalisation platform, completed in May, was a transformational step for the Group. Early Birds brings: A powerful and contemporary underlying technical architecture; the addition of an Artificial Intelligence competence; increased scale in France, a key European eCommerce market; and increases the total addressable market by enabling us to serve more online retailers profitably. Although it is at an early stage, we are delighted with the progress so far. The Early Birds and Attraqt teams have come together and are fully engaged at all levels. The integration of Early Birds and the hiring of new talent to support the business' growth is also proceeding in line with plans. We are pressing forward with common systems and reporting and have found the innovation offering already assisting with renewals. Most importantly, we have two clients going live with the unified Attraqt and Early Birds solution, with a strong pipeline of opportunities for our unique joint proposition and additional clients anticipated in the second half.

REVIEW OF SALES AND OPERATIONS

Attraqt grew revenues by 7% to £9m over the period, driven largely by an improvement in the number of higher value renewals secured. This focus on multi-year renewals provides greater visibility of future revenues and highlights the strengthening of several of our client relationships.

A number of new logos were signed during the period, including with a worldwide soft drink manufacturer, a French multinational telecommunications corporation and Joules. Despite the broader market conditions in UK retail, we were pleased to grow our relative market share* from 29% to 31% in our key verticals over the period, with the loss of clients offset by new logo wins and account growth with existing customers.

The Company continued to experience attrition in line with management's expectations. Some client attrition continued to occur as a result of external factors, including the challenges faced on the UK high street, and the pervasive threat of e-commerce software re-platforming. We expect that attrition will continue to play a factor in the short term, before declining in FY20 and beyond. Net retention for the period was 95%. Initiatives implemented to mitigate client attrition include the introduction of enhanced reporting to help brands to calculate value, extending our customer success and advisory functions, refreshing our underlying data architecture to expedite new product development, and a number of key strategic appointments. We believe these initiatives, alongside the acquisition of Early Birds and what it has brought to the Group, are key to the effective mitigation of manageable attrition going forward.

The new client on-boarding process is now running smoothly, with all new logos the Group signs going live on plan and in a timely manner.

Newly introduced sales tools have also increased our account intelligence and contact coverage. These tools are enabling the team to deliver a personalised engagement strategy per target account. Other sales initiatives recently undertaken, including the introduction of account-based marketing and a more prescriptive sales approach are showing early signs that support improved sales execution going forward.

MARKET DEVELOPMENTS

Retailers' margins continue to be squeezed by external cost pressures, and as such we have seen increasing scrutiny put onto their spending, of which software vendors are a part. This means that it has never been more crucial for vendors, such as Attraqt to provide a clear return on investment with an offering that cannot be economically replicated internally. Attraqt delivers on each of these factors, with a team steeped in industry experience and trusted by the world's leading brands, robust technology and a proven ability to increase conversion rates.

The Attraqt offering is one that works for leading international brands, manufacturers and retailers facing complex challenges, who wish to create exceptional shopping experiences from discovery through to inspiration and purchase, and beyond - recognizing and reacting to each shoppers' individual shopping moments.

Attraqt has a limited exposure to 'classic' retailers, with 24% of our existing ARR generated by customers with a retail store footprint. Within this we are increasingly working with the retailers that are outperforming the market, or with international retailers. Three out of the top ten brands that consumers have stated are their favourite luxury fashion brands[+] are also currently Attraqt customers.

We are mindful that the macro-economic environment remains uncertain, thereby continuing to put decision makers in businesses under pressure, and that this can sometimes result in an increased length of the sales process. However, in this sector, the brands who embrace change are winning, and as such we are confident that we will continue to deliver.

PERFORMANCE AGAINST GROWTH STRATEGY

In February this year we announced our refreshed growth strategy, which leverages the Group's strengths and leave us in a good position to address the future needs of e-commerce. We believe this approach allows us to strengthen relationships with current clients, win new clients, and increase efficiencies in the business. By focusing on the six key strategic priorities outlined below, we will ultimately create value for all our stakeholders.

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

Great strides have been made in a short time in the implementation of our strategy, particularly in regard to optimising the customer experience. David Newberry has been appointed as Chief Customer Officer and Jon Stephens as Director of Customer Experience, focusing on delivering an informative and seamless end-to-end customer experience. We are also now collecting data on customer health through the use of Gainsight and are pleased to have seen our scores increasing over the period.

In order to take full advantage of the Early Birds integration and further increase our innovation speed we have created a new Product Office. Roger Brown, founder and CEO of leading personalization vendor Peerius, which was sold to Episerver in 2016 has recently joined to establish and lead this new function.

A new partnership manager was also hired shortly after period end, whose role is to explore potential additional partnerships with complementary vendors which we believe will help to extend our reach, increase win rates, and support our ability to execute on new innovation. We look forward to updating shareholders further on this in due course.

A key part of evolving the data led approach has been the development of an insights tool that measures the return on investment of our product and services. Once live on client sites this will provide valuable insights internally and for our clients.

PRODUCT DEVELOPMENT AND EXPANSION OF SERVICE OFFERING

Technology
Data and feature integration work has continued to consolidate the Attraqt and Fredhopper capabilities inside the Fredhopper Discovery Platform. The next step in the journey is to also fully integrate the Early Birds technology into our offering. Thus far, we have already implemented a connected data pipeline and enabled AI-driven product rankings inside the Fredhopper Discovery Platform so that clients can begin to compare their creative rankings with algorithmically generated rankings. Going forward the focus will be on progressing our joint innovation to launch a unified front-end user experience.

We continue to explore all opportunities to enhance our technology stack, both organically, and through M&A.

Services
We believe that automated technology works best when combined with human ingenuity. This is because shoppers buy on the basis of a combination of logical consideration and emotional connection, so retailers must cater for both.

Our decision to package our deep industry experience and insights as ongoing, short advisory engagements has come to fruition through our experience consulting and technical consulting offerings. This has resulted in an improved services gross margin.

PEOPLE AND VALUES

Since defining our values earlier this year: better together, pioneering and data-led, they have truly become integral to the way we do business, and feed into everything we do. We are confident they will drive our shared success.

Attraqt's people are one of our key competitive advantages. We have built a team which is focused, experienced and working towards a shared goal; to achieve our vision of becoming integral to the world's best shopping experiences. There is a palpable feeling of optimism and vitality in the team, and the Board and I would like to thank them all for their continued hard work.

OUTLOOK

We have mapped out our road to success and have seen the fundamentals of the business shifting positively over the period in a way which we believe will deliver improved long-term growth and future-proof the business.

Trading post period has been encouraging, with contract wins including Helly Hansen and Galeries Lafayette. Between Attraqt and Early Birds a significant sales pipeline has been built and Management's focus is increasingly on the effective conversion of this pipeline. Current trading is in line to meet full year expectations.

We have a great, aligned team, powerful and increasingly innovative technology, fantastic customers and unrivalled industry experience to drive our long-term success. We are confident that the Group can continue to drive growth and deliver for shareholders in the period ahead and beyond.

Luke McKeever
Chief Executive
18 September 2019

**Customer ARR key verticals / Market ARR opportunity key verticals*

+Consumer research carried out by Attraqt on 3000 UK, France and UAE luxury shoppers in July and August 2019.

FINANCIAL REVIEW

Total revenue increased by 7% to £9.0m (2018: £8.4m) including the impact of one month's revenue of the Early Birds acquisition completed on 29 May 2019.

SaaS revenues increased by 8% to £8.1m and services revenue decreased by 1% to £0.9m. The ARR rate for SaaS revenue was £18.9m.

Gross margin increased by 14% to £6.6m (2018: £5.8m^), with a gross margin of 73%. The SaaS gross margin increased by 2% points to 79% and this was achieved by finding efficiencies in the costs base and the services gross margin increased by 14% points to 20% due to improved control of existing contracts and more diligent scoping of new projects.

Operating expenses increased by 6% to £6.3m (2018: £5.9m^) driven by increased spend in the cloud operations team to improve Amazon Web Services performance and key hires including mentioned in the Operating Review.

Adjusted EBITDA (pre-exceptional) profit of £0.3m (2018: £0.2m loss) were in line with management expectations.

The exceptional costs of £0.9m in the period relate to costs associated with the acquisition (£0.6m) and restructuring costs (£0.3m).

Depreciation and amortisation totalled £1.3m (2018: £0.9m) and increased due to the adoption of the new leasing standard IFRS 16 and the acquisition of Early Birds with amortisation recognised on intangibles that were created on the acquisition. There was a share-based payment charge of £0.2m (2018: £0.2m).

Loss before tax was £1.9m (2018: £1.7m loss), with the tax credit in the period £0.2m (2018: £0.1m charge). Therefore, loss for the half year was £1.7m (2018: £1.8m loss).

The cash balance at the end of the period was £6.3m. The cash balance as of 31st December 2018 was £0.5m.

Eric Dodd
Chief Financial Officer

^In 2019, the Board have reviewed how the costs for 2018 were allocated and have decided to reclassify Cloud costs £720k and Support development £113k from costs of sales to administrative expenses.

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED INTERIM INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	HY2019 (unaudited)	HY2018 (unaudited)	FY2018
		£'000	£'000	£'000
Revenue	6	**8,965**	8,357	17,144
Cost of Sales	6	**(2,411)**	(3,431)	(5,614)
Gross profit		**6,554**	4,926	11,530
Administration expenses		**(7,546)**	(6,181)	(13,680)
Exceptional administrative expense	7	**(870)**	(464)	(563)
Total administrative expenses		**(8,416)**	(6,645)	(14,243)
Loss from operations		**(1,862)**	(1,719)	(2,713)
Finance costs		**(22)**	-	-
Loss before tax		**(1,884)**	(1,719)	(2,713)
Taxation credit/(charge)	8	**165**	(77)	(49)
Loss for the period/year		**(1,719)**	(1,796)	(2,762)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Note	HY2019 (unaudited) £'000	HY2018 (unaudited) £'000	FY2018 £'000
Loss for the period/year		**(1,719)**	(1,796)	(2,762)
Foreign exchange translation differences		**(21)**	28	(8)
Total comprehensive loss for the period/year, attributable to shareholders of the parent		**(1,740)**	(1,768)	(2,770)
Loss per share attributable to the ordinary equity holders of the company				
Basic and diluted EPS	9	**(1.4p)**	(1.7p)	(2.6p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	HY2019 (unaudited) £'000	HY2018 (unaudited) £'000	FY2018 £'000
Non-current assets				
Intangible assets	10,11	**40,998**	25,803	25,432
Right of use assets		**1,222**	-	-
Plant and equipment	12	**345**	176	168
Total non-current assets		**42,565**	25,979	25,600
Current assets				
Trade and other receivables		**4,339**	3,488	4,936
Cash and cash equivalents		**6,291**	1,645	509
Corporation tax recoverable		**114**	-	-
Total current assets		**10,744**	5,133	5,445
Total assets		**53,309**	31,112	31,045
Current Liabilities				
Trade and other payables		**9,465**	6,767	8,186
Lease liability		**520**	-	-
Corporation tax		**-**	356	24
Total current liabilities		**9,985**	7,123	8,210
Non-current liabilities				
Other payables		-	58	-
Lease liability		**711**	-	-
Deferred tax liability		**3,375**	1,587	1,254
Total non-current liabilities		**4,086**	1,645	1,254
Net Assets		**39,238**	22,344	21,581
Equity				
Issued capital	13	**1,800**	1,063	1,063
Share premium	13	**48,516**	30,108	30,108
Merger reserve		**1,511**	1,457	1,457
Share based payment		**1,436**	999	1,238
Forex reserve		**(286)**	(229)	(265)
Retained earnings		**(13,739)**	(11,054)	(12,020)
Total equity attributable to equity holders of the parent		**39,238**	22,344	21,581

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	1,063	30,108	1,457	803	(257)	(9,258)	23,916
Loss for the period	-	-	-	-	-	(1,796)	(1,796)
Foreign currency translation differences	-	-	-	-	28	-	28
Total comprehensive loss for the period	1,063	30,108	1,457	803	(229)	(11,054)	22,344
Contributions by and distributions to owners							
Share based payment charge	-	-	-	196	-	-	196
Total contributions by and distributions to owners	-	-	-	196	-	-	196
Balance at 30 June 2018	1,063	30,108	1,457	999	(229)	(11,054)	22,344
Loss for the period	-	-	-	-	-	(966)	(966)
Foreign currency translation differences	-	-	-	-	(36)	-	(36)
Total comprehensive loss for the period	-	-	-	-	(36)	(966)	(1,002)

Contributions by and distributions to owners							
Share based payment charge	-	-	-	239	-	-	239
Total contributions by and distributions to owners	-	-	-	239	-	-	239
Balance at 31 December 2018	1,063	30,108	1,457	1,238	(265)	(12,020)	21,581
Loss for the period	-	-	-	-	-	(1,719)	(1,719)
Foreign currency translation differences	-	-	-	-	(21)	-	(21)
Total comprehensive loss for the period	-	-	-	-	(21)	(1,719)	(1,740)
Contributions by and distributions to owners							
Share based payment charge	-	-	-	198	-	-	198
Shares issued in the period	737	19,156	-	-	-	-	19,893
Issue costs	-	(748)	-	-	-	-	(748)
Merger reserve acquired	-	-	54	-	-	-	54
Total contributions by and distributions to owners	737	18,408	54	198	-	-	19,397
Balance at 30 June 2019	**1,800**	**48,516**	**1,511**	**1,436**	**(286)**	**(13,739)**	**39,238**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	HY2019 (unaudited) £'000	HY2018 (unaudited) £'000	FY2018 £'000
Cash flows from operating activities				
Loss for the period/year		**(1,719)**	(1,796)	(2,762)
Adjustments for:				
Depreciation of property, plant and equipment	12	**87**	30	62
Amortisation of right of use assets		**173**	-	-
Amortisation of intangible fixed assets	10	**987**	831	1,586
Income tax (credit)/charge		**(165)**	77	49
Finance costs		**22**		
Share based payment expense		**198**	195	435
Foreign exchange differences		**131**	8	104
		(286)	(655)	(526)
Decrease/(increase) in trade and other receivables		**1,297**	1,064	(384)
Increase/(decrease) in trade and other payables		**(226)**	(39)	893
Cash generated/(used) from operating activities before interest and tax		**785**	370	(17)
Taxation (paid)/received		**(99)**	(62)	(278)
Net cash generated/(used) from operating activities		**686**	308	(295)
Cash flows used in investing activities				
Acquisition of subsidiaries net of cash acquired	11	**(10,459)**	-	-
Purchases of Property, plant and equipment	12	**(235)**	(48)	(70)
Development of intangibles	10	**(313)**	(305)	(696)
Net cash used in investing activities		**(11,007)**	(353)	(766)
Cash flows from financing activities				
Lease payments		**(206)**	-	-
Issue of ordinary shares, net of issue costs		**16,352**	-	-
Net cash generated/(used) from investing and financing activities		**5,139**	(353)	(766)
Net increase/(decrease) in cash and cash equivalents		**5,825**	(45)	(1,061)
Cash and cash equivalents at beginning of period/year		**509**	1,636	1,636
Effect of foreign currency exchange rate changes		**(43)**	54	(66)
Cash and cash equivalents at end of period/year		**6,291**	1,645	509

NOTES TO THE CONSOLIDTAED INTERIM 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 recommendation technology.

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

The condensed consolidated interim financial statements for the six months ended 30 June 2019 was approved by the Board on 17 September 2019.

2. BASIS OF PREPERATION

BASIS OF PREPERATION OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the EU. They do not include all the information required for full annual financial statements and should be read in conjunction with information contained in the Group's Annual Report and Accounts for the year ended 31 December 2018. The condensed consolidated interim financial information has been reviewed, not audited.

The financial information for the year ended 31 December 2018 does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 for that year, but it is derived from those accounts. Statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 13 February 2019 and delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section s498 (2) or (3) of the Companies Act 2006.

GOING CONCERN

The financial statements have been prepared on a going concern basis as the Directors have undertaken a review of the future financing requirements of the ongoing operations of the Group and are satisfied that sufficient cash together with bank and other facilities is available to meet its working capital requirements for at least 12 months from the date of approval of these financial statements. Accordingly, they have adopted the going concern basis in preparing this condensed consolidated interim financial information.

3. ACCOUNTING POLICIES

In preparing the condensed consolidated interim financial information, the same accounting policies, methods of computation and presentation have been applied as set out in the Group's Annual Report and Accounts for the year ended 31 December 2018. The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the adoption of new and amended standards as set out below.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting standards ('IFRS') as adopted by the EU.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

4. CHANGES IN ACCOUNTING POLICIES

IFRS 16 *LEASES*

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's condensed consolidated interim report and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted IFRS 16 under the modified 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 Group'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 Group's incremental borrowing rate of at the date of initial application	(21)
Lease liability recognised as at 1 January 2019	330
Of these which are:	
Current lease liabilities	226
Non-current lease liabilities	103
	330

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 accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the accounting for operating leases with a low value determined by the Group as low value leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- 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.

Group lease accounting

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 profit or loss 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 Group'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.

5. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

With the exception of the below all other significant judgements and estimates used in the application of the Group's accounting policies are the same as those described in the Group's Annual Report and Accounts for the year ended 31 December 2018.

Critical judgements in determining the lease term

Extension and termination options are included in a number of property leases across the Group. 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, or not exercise a termination option. Extension options (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.

6. SEGMENTAL REPORTING

	HY2019 (unaudited) £'000	HY2018 (unaudited) £'000	FY 2018 £'000
Revenue by type			
SaaS	**8,072**	7,456	15,241
Services	**893**	901	1,903
Total Revenue	**8,965**	8,357	17,144
Cost of Sales by type			
SaaS	**1,698**	2,474	3,660
Services	**713**	957	1,954
Total Cost of Sales	**2,411**	3,431	5,614
Gross profit	**6,554**	4,926	11,530

There is one customer which contributes more that 10%, which is £1.2m of the Group's revenues (2018: 1 customer - contributing £1.1m).

In 2019, the Board have reviewed how the costs for 2018 were allocated and have decided to reclassify Cloud costs £720k and Support development £113k from costs of sales to administrative expenses.

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

	HY2019 (unaudited) £'000	HY2018 (unaudited) £'000	FY 2018 £'000
Geographical split of revenue			
UK	**5,005**	4,886	9,840
Europe	**3,584**	3,061	6,317
Rest of the World	**376**	410	987
Total Revenue	**8,965**	8,357	17,144

7. EXCEPTIONAL ITEMS

The Group separately identifies those items which in managements judgement, need to be disclosed by virtue of their nature, size or incidence in order for the user to obtain a proper understanding of the underlying performance of the business. The exceptional costs of £870,000 (2018: £464,000) relate to costs associated with the acquisition and restructuring costs. The exceptional costs in 2018 relate to the change in CEO.

8. TAXATION

The Group tax charge is based on the estimated annual effective rate and for the half year is calculated at 19.00%, (HY2018: 19.25%) and applied to the loss before tax for the period.

9. LOSS PER SHARE

Basic Earnings per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding in the period.

The calculation of continued earnings per share is based on the following:

	HY2019 (unaudited) £'000	HY2018 (unaudited) £'000	FY 2018 £'000
Numerator			
Loss for the period/year and loss used in basic and diluted EPS	**(1,719)**	(1,796)	(2,762)
Denominator			
Weighted average number of shares used in basic and diluted EPS	**119,467,188**	106,368,589	106,368,589
Loss per share - basic and diluted	**(1.4p)**	(1.7p)	(2.6p)

10. 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	-	-	-	-	305	305
At 30 June 2018	16,582	4,394	4,803	788	2,226	28,793
Additions - internally developed	-	-	-	-	391	391
Foreign Exchange	3	45	1	-	16	65
At 31 December 2018	16,585	4,439	4,804	788	2,633	29,249
Acquired through business combinations	**9,064**	**2,295**	**4,525**	**348**	**-**	**16,232**
Additions - internally developed	**-**	**-**	**-**	**-**	**313**	**313**
Foreign Exchange	-	-	-	-	**8**	**8**
At 30 June 2019	**25,649**	**6,734**	**9,329**	**1,136**	**2,954**	**45,802**
Amortisation						
At 1 January 2018	-	424	559	64	1,185	2,232
Charge for the period	-	193	342	40	256	831
At 30 June 2018	-	617	901	104	1,441	3,063
Charge for the period	-	125	344	39	247	755
Foreign Exchange	-	(10)	-	-	9	(1)
At 31 December 2018	-	732	1,245	143	1,697	3,817
Charge for the period	-	**222**	**376**	**42**	**347**	**987**
At 30 June 2019	-	**954**	**1,621**	**185**	**2,044**	**4,804**
Net Book Value						
At 30 June 2018	16,582	3,777	3,902	684	785	25,730
At 31 December 2018	16,585	3,707	3,559	645	936	25,432
At 30 June 2019	**25,649**	**5,780**	**7,708**	**951**	**910**	**40,998**

11. 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
Trade Receivables	490	-	490
Other Debtors	271	-	271
Trade Creditors	(270)	-	(270)
Other Current Liabilities	(502)	-	(502)
Deferred Revenue	(559)	-	(559)
Deferred tax liability	-	(2,022)	(2,022)
Total Net Assets	**103**	**4,502**	**4,605**

On acquisition Early Birds SAS held trade receivables with a book and fair value of £490,000 representing contractual receivables of £505,000. Whilst the Group will make every effort to collect all contractual receivables, it considers it unlikely that £15,000 will ultimately be received.

Consideration	**£'000**
Cash Transferred	11,257
Shares transferred at fair value (£0.27p per share, see note 12)	2,794
Consideration to be transferred in H2 2019	59
Total Consideration	14,110

There is no contingent consideration on the Early Birds acquisition.

Goodwill

	£'000
Equity value	14,051
Cash received via acquisition	(441)
Consideration transferred	13,610
Fair value of identifiable net assets	(4,605)
Consideration to be transferred in H2 2019	59
Goodwill	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, Early Birds SAS has contributed £266,000 to Group revenues and £139,000 losses.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and Machinery	Fixtures and Fittings	Total
		£'000	£'000	£'000
Cost				
At 1 January 2018	-	**399**	4	403
Additions	-	50	-	50
At 30 June 2018	-	449	4	503
Additions	-	20	-	20
Disposal	-	(207)	(2)	(209)
At 31 December 2018	-	262	2	264
Additions	**118**	**52**	**65**	**231**
Acquired through business combination	**-**	**33**	**-**	**33**
Foreign Exchange	**-**	**(4)**	**-**	**(4)**
At 30 June 2019	**118**	**343**	**67**	**528**
Depreciation	-			
At 1 January 2018	-	244	2	246
Charge for the period	-	30	-	30
At 30 June 2018	-	274	2	276
Charge for the period	-	32	-	32
Disposal	-	(207)	(1)	(208)
Foreign Exchange	-	(4)	-	(4)
At 31 December 2018	-	95	1	96
Charge for the period	**5**	**75**	**7**	**87**
At 30 June 2019	**5**	**170**	**8**	**183**
Net Book Value	-			
30 June 2018	-	174	2	176
31 December 2018	-	167	1	168
30 June 2019	**113**	**173**	**59**	**345**

13. SHARE CAPITAL

Allocated, called up and fully paid

		£'000	£'000
	Number of Shares	Share capital	Share Premium
Ordinary shares of £0.01 each			
At 1 January 2017	26,942,340	269	4,253
Shares issued for cash during the period	79,426,249	794	25,855
At 30 June 2018	106,368,589	1,063	30,108
Shares issued for cash during the period	-	-	-
At 31 December 2018	106,368,589	1,063	30,108
Shares issued for cash during the period	**63,333,334**	**633**	**15,718**
Shares issued to Early Birds sellers as part of the acquisition during the period	**10,346,284**	**104**	**2,690**
At 30 June 2019	**180,048,207**	**1,800**	**48,516**

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.

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Half Year results - RNS