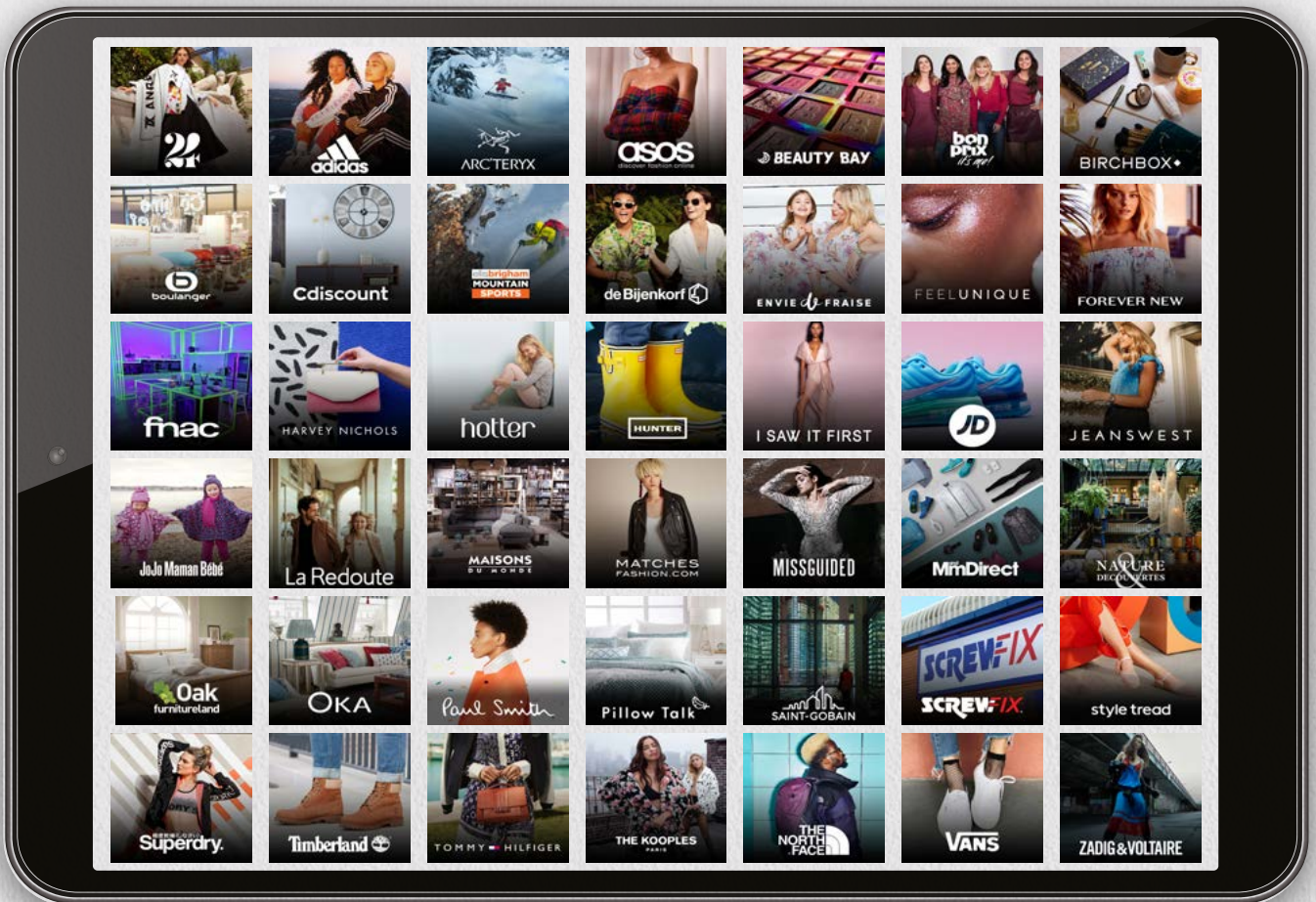


Attraqt™

Exceptional Shopping Experiences

REPORT & FINANCIAL STATEMENTS

Year ended 31st December 2019



Orchestrating experiences across the shopper journey for over 300 global brands

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WHAT WE DO

We enable international brands, manufacturers and retailers to optimise their eCommerce site performance by orchestrating exceptional shopping experiences for their customers.

Through our platforms Fredhopper Discovery Platform, Early Birds, and the next generation software 'Experience Orchestrator (XO)' we provide a set of API-enabled, algorithm-driven, intelligent SaaS services covering personalisation, search, navigation, merchandising, recommendations and internationalization. As we continue to build a robust common data pipeline between these platforms these services enable an organisation to recognise and react to each shoppers' individual shopping moments, to deliver individualized, omnichannel micro-experiences that support the consumer from discovery through to inspiration, purchase, and beyond. Consumers receive an exceptional shopping experience whilst the organization meets their strategic goals of increased sales, enhanced margin, improved efficiency and better inventory management.

OUR VISION

To establish Attraqt as the industry standard for leading international brands, manufacturers and retailers who strive to deliver exceptional digital shopping experiences. We will be integral to these companies in delivering positive experiences that consumers truly love, and which also meet or even exceed their own commercial goals.

Organisations who work with us have an opportunity to recognize and respond to each shoppers' individual shopping moments, across the entire length of the shopper journey, orchestrating experiences from discovery through to inspiration, purchase, and beyond.

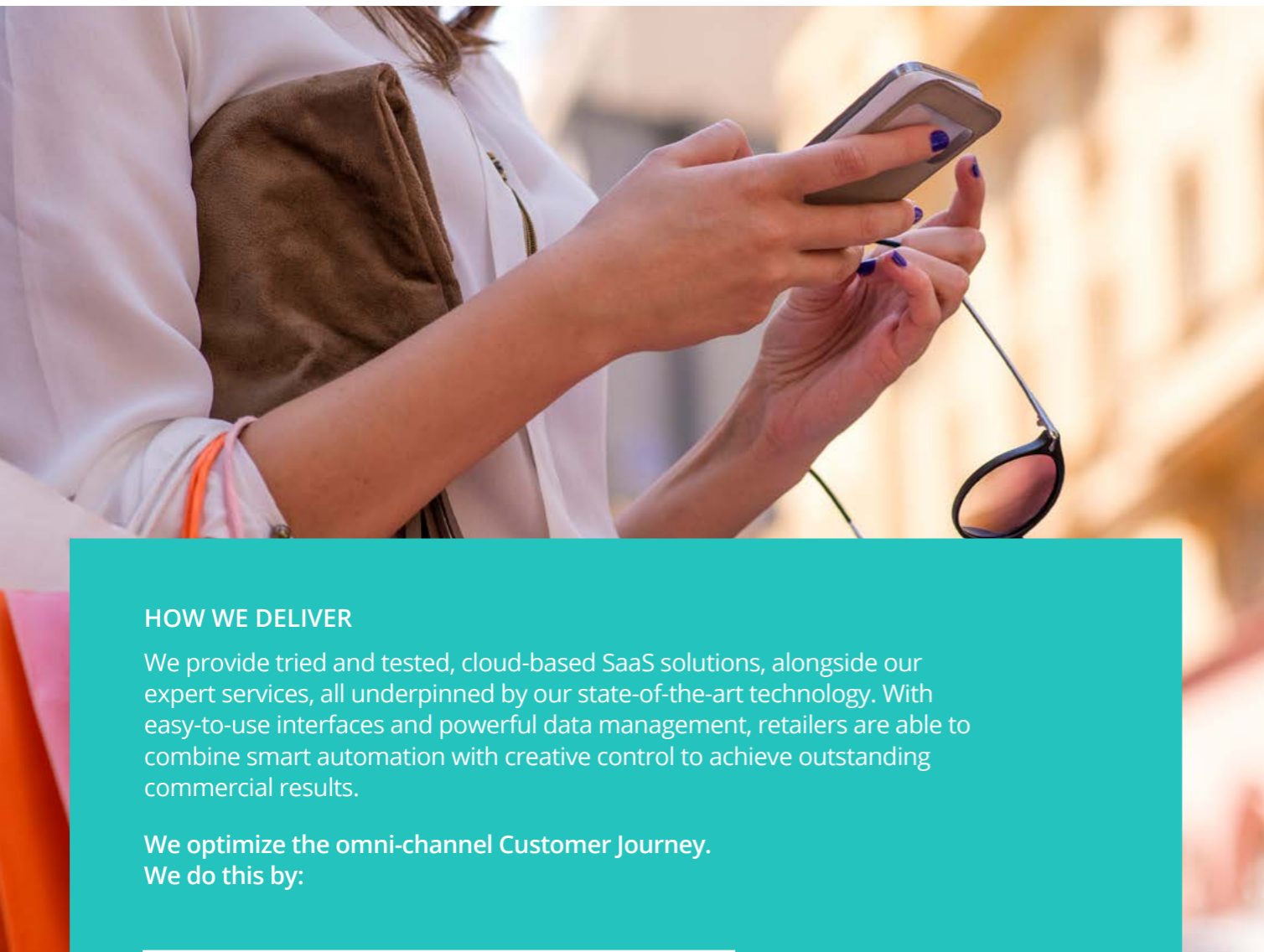
OUR AUDIENCE

We partner with great brands and specialist retailers, across several sectors including Fashion, Footwear, Homeware, Health & Beauty, Grocery, Electronics, B2B, Sports & Outdoor. With the integration of Early Birds, we are tapping into new verticals such as Telecommunications and specialist retailers such as Pharmaceuticals.



I find it really easy to use, it's always been something that is very flexible in the way that we work with the teams to deliver our requirements.

Bronte Naylor-Jones,
Trading Optimisation Specialist, ASOS



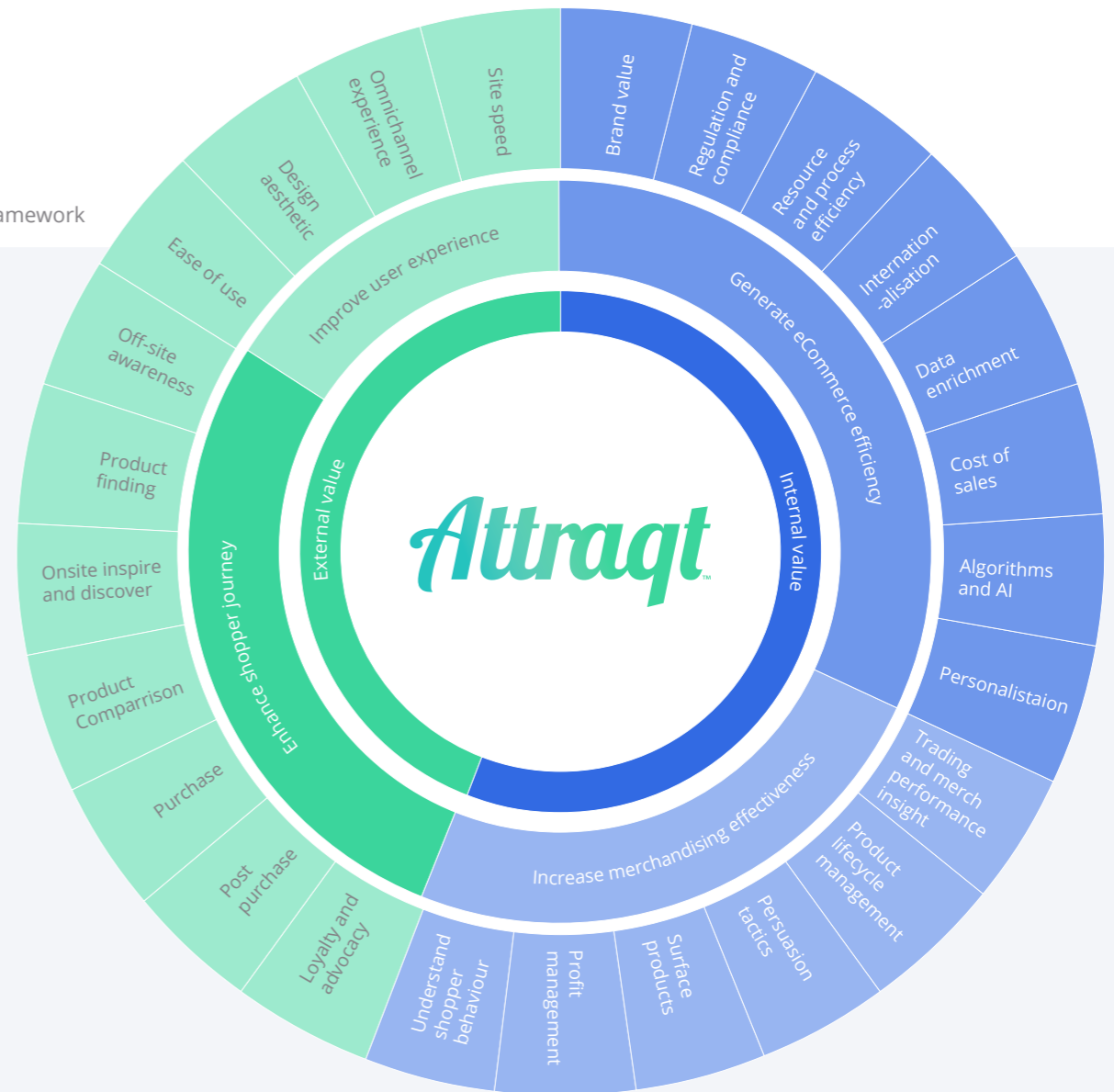
HOW WE DELIVER

We provide tried and tested, cloud-based SaaS solutions, alongside our expert services, all underpinned by our state-of-the-art technology. With easy-to-use interfaces and powerful data management, retailers are able to combine smart automation with creative control to achieve outstanding commercial results.

We optimize the omni-channel Customer Journey. We do this by:

-  Empowering discovery
-  Personalising relevant moments
-  Delivering micro-experiences
-  Connecting the shopping journey

Attraqt Value Framework



WHERE WE CREATE VALUE

We've developed a framework that measures and demonstrates our ability to deliver value that balances enriched shopper experiences with commercial goals. We place this combination of delivering both internal and external value against three main value pillars.

-  Shopper Experience
-  Operational Efficiency
-  Infrastructure Gains

SOLUTIONS AND SERVICES

SOLUTIONS | Attraqt's five core solutions cater for every element of the shopping experience with the ability to personalise each stage of the shopper journey:

SEARCH

Our search system is built exclusively with eCommerce experiences, across all verticals, in mind. For any retailer it is vital to be able to understand any search terms entered and put them in the context of the shopper's previous behaviour, in order to return the most relevant products. Our search solutions enable the shopper to seamlessly search with minimal effort to find what they are looking for, even when they make a mistake.

NAVIGATION

Seamless and intuitive navigation is an essential part of the shopper experience, especially when shoppers are engaging through mobile. Our navigation solutions enable the shopper to do effective catalogue discovery, as well as easily narrow down a list of results to the products that exactly match their needs.

RECOMMENDATIONS

Inspiring the shopper with new, trending and highly relevant products inspires additional purchases. Providing recommendations is one way to create that same feeling of serendipity and discovery online as shoppers expect and experience in a bricks and mortar store. Our recommendations solutions enhance the shopper experience by highlighting the brand style, inspiring with highly popular, relevant items and by guiding the shopper to items not previously considered.

PERSONALISATION

Great personalisation is possible with the use of real-time contextual data. This provides a view on what will resonate with the precise needs and expectations of the shopper at a particular moment. Our personalisation solutions capture smart data, and then apply it to create a highly personalised and relevant experience, across its full range of capabilities. AI Scores power personalised native search experiences by using machine learning capabilities to deliver personalised rankings and product recommendations at each step of the customer journey. This enables individualized search experiences, personalised by channels.

MERCHANDISING

Using a combination of smart automation, where the technology does the heavy lifting, with creative control we are able to augment and enhance the overall shopper experience. Our merchandising solutions give merchandisers full control over content on the home page, on product listing pages, and product detail pages, as well as the content on the page. This ensures products are presented in the most compelling way, where valuable and inspiring recommendations are offered, and shoppers are able to easily find relevant and inspiring products.

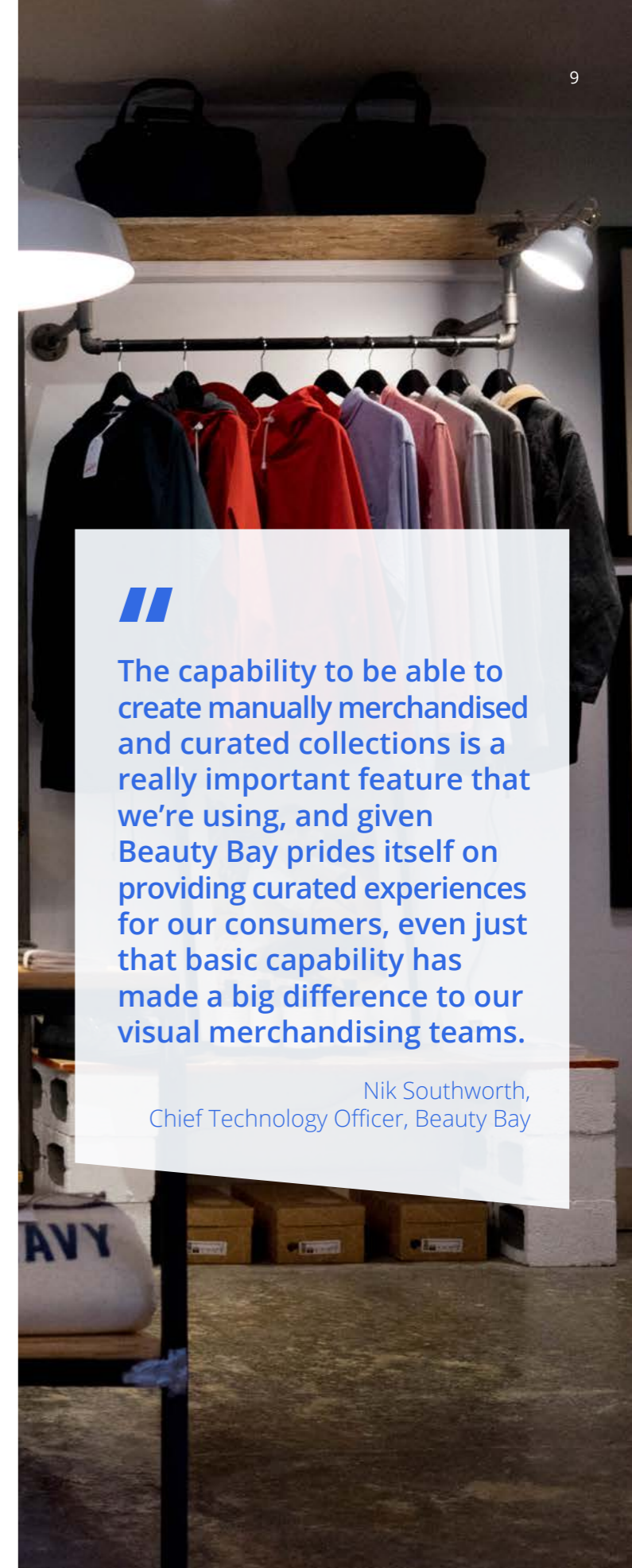
INTERNATIONALISATION

When operating e-commerce sites across multiple countries it is important to be able to decide centrally but execute locally. Our internationalization solutions support clients to expand and grow internationally, with minimal effort, whilst meeting both shopper expectations and commercial goals.



The capability to be able to create manually merchandised and curated collections is a really important feature that we're using, and given Beauty Bay prides itself on providing curated experiences for our consumers, even just that basic capability has made a big difference to our visual merchandising teams.

Nik Southworth,
Chief Technology Officer, Beauty Bay



SOLUTIONS AND SERVICES

SERVICES | Alongside our best-in-class solutions, we offer a number of services to our customers. We provide expertise and advice at a level even the world's leading brands appreciate. We aim to make sure that our customers' investment delivers, and possibly exceeds, its expectations.

EXPERIENCE OPTIMIZATION

We provide specialist retail insights and expertise to help our customers optimize the performance of the platforms and to deliver value with strategic assessment. These packages now deliver against the Value Framework in the following way:



BEST PRACTICE

Getting the basics right

- Gap analysis
- Benchmarking
- New opportunities



PERFORMANCE

Optimise results and impact a broad range of metrics

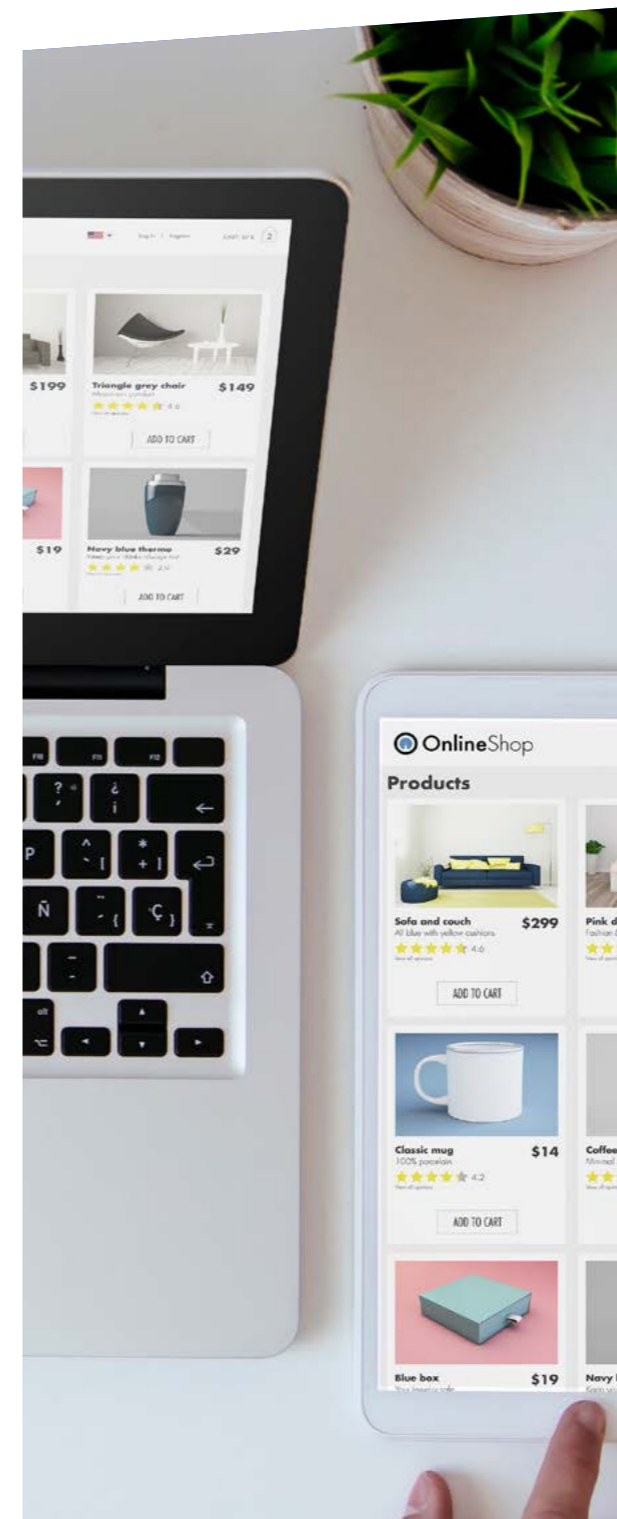
- Strategy
- Coaching
- Innovation



INNOVATION

Accelerate the pace of growth

- Personalisation & AI
- Experience innovation
- Optimization



TECHNICAL CONSULTING

We provide technical expertise and project management to help our customers successfully implement and refine their eCommerce programs.



CUSTOMER SUCCESS

We provide extensive knowledge and support to ensure our customers accrue maximum value from their investment.



CUSTOMER SUPPORT

We provide technical support and knowledge to facilitate issue resolution for our customers 24/7.

OUR TECHNOLOGY

The Experience Orchestration Platform (XOP)

The Experience Orchestration Platform (XOP) are a set of API-enabled, algorithm-driven, intelligent services with an open architecture.

It will have unparalleled ability to ingest, enrich and understand the relevant data and signals. It leverages existing eCommerce technology investments to deliver individualized, omnichannel micro-experiences. The XOP also unifies and empowers all key customer journey stakeholders from business, data and technical teams. It is built on a common data pipeline that converges our two existing platforms Fredhopper Discovery Platform and Experience Orchestrator.

- food**
- beverage
- house essentials
- electronics
- clearance
- luggage
- personal care
- pets
- movies, music and books
- toys
- baby
- clothing
- shoes
- kitchen
- furniture
- garden

OUR CAPABILITIES

Multi-source data capture & cleanse:

We help retailers collect, unify and clean relevant data in real-time and from all signals to ensure that the data is reliable. This ensures the best possible source of intelligence for delivering the right experiences.

Advanced data enrichment:

Organisations are then able to enrich and consolidate API-enabled data, to feed the algorithms with refined data in order to optimise the shopper journey in real time.

Algorithm-driven intelligence:

Clear actionable insights are achieved by applying and deploying owned algorithms, third party algorithms or our algorithms. This is applied in a test and learn approach to find the right configurations that deliver the best outcomes for each use case.

Blended strategic merchandising; Merchandisers can use easy-to-use interfaces and guided workflows, to seamlessly blend the benefits of AI with their own expertise, creativity and key business strategies.

Blended strategic merchandising:

Merchandisers can use easy-to-use interfaces and guided workflows, to seamlessly blend the benefits of AI with their own expertise, creativity and key business strategies.

Lean optimization:

Strategies and outcomes are continually tested and performance monitored to build experiences that deliver winning results.

Commercial validation:

Organisations are able to quantify and validate the enhanced commercial performance by connecting strategies to actions to metrics to KPIs.

Points of differentiation:

We have found that other solutions in the market fail to bring together a coherent shopping experience by relying on disparate data, connections, insights, strategies and execution capabilities which fragment journeys and restrict operational, experiential and financial performance. Uniquely, the XOP learns, measures and optimizes in real-time to unify and empower our customers' teams to deliver exceptional digital shopping experiences, whilst achieving their commercial goals.



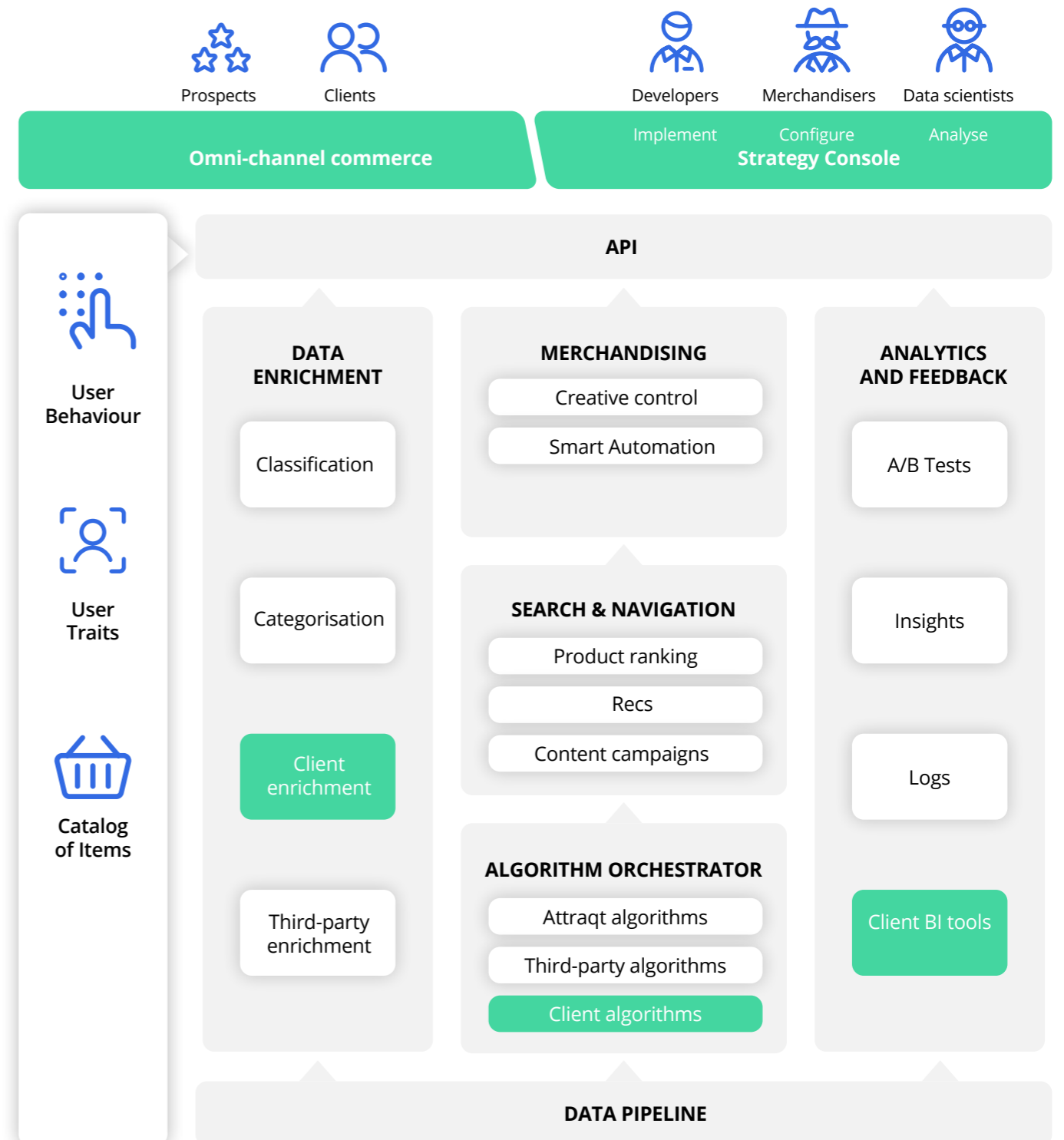
WHAT THIS MEANS FROM AN ORGANISATIONAL PERSPECTIVE

Built on a cloud-native, microservice architecture, our technology ensures retailers can access and use best-in-breed solutions via components. This will help bring together business, data & technical teams to orchestrate consumer signals, algorithms & rules. Therefore delivering differentiated conversations and experiences that are connected across all channels at scale.

COLLABORATIVE + INTELLIGENT + FUTURE-PROOFED.

- Collaborative – fully transparent and open platform with an easy-to-use control panel that enables all eCommerce stakeholders to fully collaborate together to deliver highly personalised, and differentiated micro-experiences across all touch points of a shopper journey
- Intelligent – we provide the data, in real-time, and all the interfaces to create, configure, deploy and evaluate algorithms that are either open source, third-party, from you or us, to identify the algorithms that deliver the best possible outcomes
- Future-proofed – our architecture is both fully scalable, it can handle billions of requests per day and fully extensible across sites, geographies and languages. It is also delivered as a set of API-enabled micro-services that reflect precise requirements, reduce infrastructure costs and enable a high level of operational efficiency

PLATFORM ARCHITECTURE



These are a number of significant operational and infrastructure benefits of the platform



SCALABILITY

- Handle 200+ billion requests per year.
- Over 2019 peak trading Black Friday to Cyber Monday, there were 2.2 Billion requests served.
- 12% YoY increase on requests in.
- No limit in ability to scale up for Peak Trading periods.



AVAILABILITY

- Default platform monthly uptime average, 99.90%.
- Fast response times to ensure no disruption to service.



SECURE & COMPLIANT

- Fully GDPR compliant globally.
- Complete separation of client's data across 300+ brands.



HIGH PERFORMANCE

- Speed is critical. Very fast response times in the milliseconds.
- 1000 items per second indexing speed.



GLOBALLY DISTRIBUTED

- Presence in all regions – Europe, Asia Pacific and North America.
- Support for incidents, 24/7, 365 days per year.



MARKET OVERVIEW

Online shopping continues to grow as a proportion of all shopping

The rise of online shopping has been rapid in recent years, and the percentage of consumers going online to browse and purchase goods continues to grow. Online sales also grew at ten times the rate of store sales in the first half of 2018¹, and over the next five years western European online retail sales are predicted to grow at over three times the rate of total retail sales².

SHOPPER EXPECTATION FOR BETTER EXPERIENCES ARE RISING

- Fatigue is high – shoppers are time-poor, they desire fast outcomes
- Speed to value is critical – shoppers expect to be able to find what they want in the shortest time possible
- Expectations are higher – shoppers have so many options, that they are fickle and frequently disloyal if they feel let down
- Paradox of choice – too much to choose from, reduces likelihood of purchase
- Consumers expect personalised experiences in return for sharing personal data and they need to be highly relevant – timing and context are everything, as it is imperative to match the experience with the consumer need at that precise moment
- Diminishing, more demanding attention span – the experience needs to be designed to maintain interest and attention across the journey
- Increased mental opt-out – value needs to be delivered, the experience must be memorable, inspiring and beneficial
- Brand loyalty is waning – as options and ease of changing allegiance are seamless
- Shoppers expect a simplified experience with in-line help, e.g. chat bot integrations

BUYING TRENDS ARE EVOLVING

- The importance of Google for the discovery process has “peaked”, consumers are more likely to start their discovery journey on Amazon or social channels.
- Consumers are using highly visual social sites like Instagram or Pinterest or visual search engines like Google Image to search a channel for inspiration
- Online shoppers do not only buy for themselves; they buy for their family and friends. Understanding the true customer intent for every journey becomes important for relevancy
- Men and women buy differently – women tend to browse more and men look for products to buy more quickly
- Different purchases command different journeys, e.g. Hedonic Vs. Utilitarian (things that make us ‘feel good’ vs. things we ‘need’), Loyal vs. Experimental, Price vs. experience.
- More than half of all shoppers say that a company’s ethics play an important part of purchasing decisions
- Price drives 96% of online purchases, yet 84% are also motivated by faster deliver (Wunderman)
- Younger people prefer to buy from brands with a store footprint
- Emotional connection is having a more significant influence on purchase consideration that logical comparison (social consciousness)

1. Deloitte Retail Trends, UK 2018

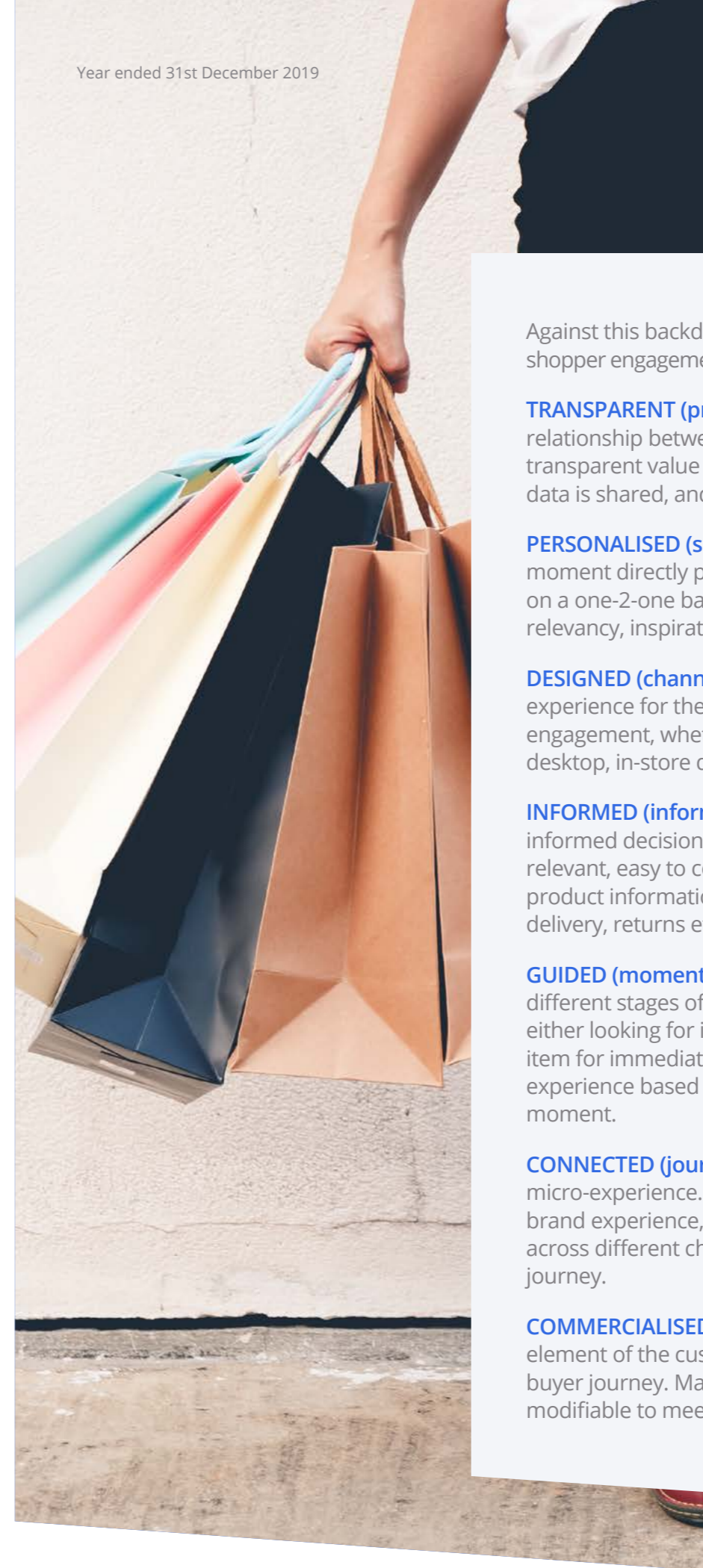
2. The Forrester Analytics: Online Retail Forecast, 2018 To 2023 (Western Europe)

SHOPPER ENGAGEMENT IS TRANSFORMING

- Generation Z is soon becoming the most important group in terms of online spend. Consumers are inspired by "content" & "influencers". Traditional advertisement is becoming less important as media consumption is changing in favour of social media and streaming sites like Netflix or YouTube.
- The mobile has become the shopping companion
- Shopper journeys are becoming omnichannel - selecting item online but trying on and confirming purchase in-store
- Shopper journeys are often becoming more complicated, as the consideration phase is extended - multiple sites and visits are often made to validate a purchase
- Product discoverability is becoming separated from the purchase process - many consumers look for products and then go elsewhere to buy
- Shoppers have a growing understanding of privacy and the value of their data, which is forcing organisations to develop clear data policies and strategies
- In-store is more of an opportunity for brands to present an experiential/ interactive view of brand that engages the senses, and establishes emotional connection

THE ECOMMERCE LANDSCAPE IS CHANGING

- The demise of the simple website as we know it, there is a move to voice and image enabled experiences
- The rise of Platforms (Marketplaces) as major aggregators of content, products and offers
- There is a strong need for brands to build a multi-channel story to compete against Platforms and therefore price
- The importance of customer experience & content for acquiring & converting traffic
- Embracing Frictionless commerce or Zero User Interface customer experiences, e.g. voice and IoT
- Social commerce - brands need to provide shoppable content
- How to get data in shape to embrace AI and seamless customer experiences
- How to harness their talents internally to meet the needs of the customer
- Data privacy and permissions are critical to being able to provide more personalised experiences



Against this backdrop we believe the online shopper engagement of the future needs to be:

TRANSPARENT (privacy & security): Allow the relationship between data and consumers to be a transparent value exchange of why and where data is shared, and in return for what.

PERSONALISED (signals): Make every shopper moment directly personalised for the consumer on a one-2-one basis to ensure highest levels of relevancy, inspiration and response.

DESIGNED (channel): Design and optimize each experience for the specific channel of engagement, whether it be social, mobile, desktop, in-store digital and more.

INFORMED (information): Help customers make informed decisions, by making information relevant, easy to consume & compare and assess: product information, carbon footprint, ratings, delivery, returns etc.

GUIDED (moment): Shoppers need guidance at different stages of the customer journey e.g. either looking for inspiration or specifically for an item for immediate purchase. Deliver an experience based on their precise intent, at that moment.

CONNECTED (journey): Connect each and every micro-experience. Create richer and integrated brand experience, during multiple site visits across different channels, all along the buyer journey.

COMMERCIALISED (valuable): Measure every element of the customer acquisition, retention or buyer journey. Make it configurable, and instantly modifiable to meet commercial goals.

THE *Attraqt* WAY

Our core purpose

Attraqt seeks to become integral to the delivery of exceptional shopping experiences in a way that supports the achievement of an organisation's key commercial goals.

The market is changing rapidly; illustrated by digital disruption, rising shopper expectation and significant margin pressures. We help companies respond to these challenges and transform. So that they can become more agile, dynamic and innovative again. Our customers will achieve this by surfacing a single intelligence layer that unleashes the power of enriched real-time API enabled data and best-in-class algorithms.

The resulting actionable insights help break traditional silos and enable cross-functional alignment that empowers all stakeholders (business + data + technical) to collaborate together to achieve real cost of ownership across the entire business, in a highly scalable way.



Smart Automation

Our API-enabled, algorithm driven micro-services ingest, enrich and understand disparate data sources and signals to intelligently automate personalised experiences, in real-time.



Strategic control

Our platform enables all customer journey stakeholders to prioritise their strategies and algorithms. This enhances brand experiences whilst also meeting commercial goals.



VALUES

Our values-led culture drives our shared success



BETTER, TOGETHER

Our culture is steeped in collaboration. We are motivated by the desire to connect, advance and succeed together, in order to learn, challenge and empower each other. This is why our clients view us as trusted partners.



PIONEERING

We pioneered an industry almost two decades ago and are 100% steeped in innovation to solve problems and create opportunities. Today we continue to prove ourselves to be unafraid of challenging ourselves and the industry around us – we dare to be bold enough to imagine and create new solutions and ways of working.



DATA-LED

We believe in the power of sharing data-led insight to drive shared success. Above all, what defines us is to be transparent and open about our technology, our projects and achievements and to share them with our team and our client.

STRATEGY

We have a customer-centric approach and believe that by continually improving our offering we can 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: our clients, employees and our shareholders.

As our business evolves, we believe it is prudent to continually build upon and refine our strategic priorities. Moving into 2020 we have added a sixth strategic priority, the further evolution towards a product-first brand positioning, as we build on our new proposition and further extend our AI competence.

Key Strategic priorities

1. Evolving our data-led approach
2. Continuing to optimise the customer experience
3. Increasing our speed of innovation
4. Executing our partnership strategy
5. Replicating our UK success in other geographies
6. Evolving towards a product-first brand position



EVOLVING OUR DATA-LED APPROACH

We will help our clients to use their customer data, offsite tracking and third-party data to better target their onsite search and personalisation strategies via our data services platform, ultimately boosting their average order values. We will also use this focus on data within our own business, making sure to track every part of our operations to see that they are as efficient and effective as possible.

CONTINUING TO OPTIMISE THE CUSTOMER EXPERIENCE

Our customers are at the heart of everything we do. We are focused on optimizing all areas of the business to support and enhance the customer journey, including the provision of unique insights to optimize client site search and merchandising performance to support their customers' journeys.

INCREASING OUR SPEED OF INNOVATION

We have a compelling product vision and a progressive roadmap to further broaden our capabilities and continue to deliver for our clients in an evolving retail environment. This includes further investment in six key areas: Cloud, Smart Data, Creative Control, Actionable Insight, Shopper Experiences, & AI.

EXECUTING OUR PARTNERSHIP STRATEGY

By working with partners in the retail technology space Attraqt is equipped to cater for every possible requirement and scenario. We plan to foster further Technology, Integrator and eCommerce partnerships. Partnerships have several benefits, including driving innovation providing access to new markets and supporting our ability to scale quickly.

REPLICATING OUR UK SUCCESS IN OTHER GEOGRAPHIES

We believe we are leaders in the UK and we will seek to replicate that in other key markets where we have an established footprint such as Benelux, The Nordics, Germany, France, Spain, and Italy. We will also seek opportunities further afield where we have the ability to execute.

EVOLVING TOWARDS A PRODUCT-FIRST BRAND POSITION

We will further develop our market leading brand as we build on our new proposition and establish clear alignment in the market between the company brand Attraqt, and the value associated with our platforms. We will gain further credibility in the industry through increasing the value Attraqt brings to clients through further extending our AI competence and innovation.

CHAIRMAN'S STATEMENT



Nick Habgood

For the year ended 31 December 2019. 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 another year where 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 Hanson, 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 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, 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
3 March 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT



Luke McKeever

For the year ended 31 December 2019. 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 innovation step-change 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 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 brands 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 the 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 well positioned to support this development.

We continue to see a trend towards online retailers' adoption of "headless" architecture. This approach allows retailers to decouple the front-end content layer of their eCommerce site and build an online retail solution from best of breed components; this development 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, Big Commerce, 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 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 this 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 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 an 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 restriction will be put in place in the coming weeks; however, we continue to monitor developments and preparing contingency plans to mitigate the risks, which also feeds into some of our prudence in our expectations for the year ahead.

We have a huge opportunity ahead of us and the strategy and the 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
3 March 2020

KEY PERFORMANCE INDICATORS (KPI'S)

Attraqt uses KPIs to measure progress in the business, as we become more data-led we plan to expand our suite of KPI's. The KPIs were revisited following the acquisition of Early Birds SAS in May 2019, with the impact of this shown here:



REVENUE GROWTH

Our goal is to deliver double digit organic revenue growth per year.

Year	Revenue	Growth %
2019	£19.4m*	13%
2018	£17.1m*	26%

* Post Early Birds SAS Acquisition

ADJUSTED EBITDA (PRE-EXCEPTIONALS)

Our goal is to have positive EBITDA.

Year	Adjusted EBITDA ¹
2019	£0.3m
2018	£0.0m

¹ Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation (see note 6), share based payments (note 18) and exceptional items being those set out in note 5.

ANNUAL RECURRING REVENUE (ARR)

Our goal is to win higher contract values in order to increase the annual contract value so the ARR continues to grow

Year	Exit rate
2019	£19.2m
2018	£16.0m

Annual Recurring Revenue is the annualised revenue per customer contract as at the end of the reporting period and includes any new customer wins in development phase. This excludes one-time fees.

LOGOS

Our goal is to increase brands year-on-year.

Year	New logos
2019	22
2018	15

Year	Closing logos
2019*	210
2018	165

* 61 added as a result of the Early Birds SAS acquisition.

GROSS ATTRITION AND NET REVENUE RETENTION (NRR AND GA)

Our goal is to obtain 100% net revenue retention and reduce gross attrition so that any new client wins grow the existing business.

Year	Net revenue retention	Gross attrition
2019	98%	12%
2018	94.5%	15%

Net revenue retention refers to December 2018 ARR, plus all new business sold to these customers, minus lost customers or down sells. Gross Attrition is December ARR minus lost customers.

RISK OVERVIEW

The Board is responsible for Attraqt's system of internal control and for reviewing its effectiveness. The system employed is designed to mitigate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has identified the following key risks facing the business:

COMPETITIVE RISK

The growth in eCommerce has resulted in a significant increase in software companies seeking to supply online retailers with enabling technology. Attraqt aims to mitigate this risk by maintaining a close relationship with leading customers, reinvesting in new product features and innovation, delivering best-in-class customer support, enhancing brand recognition and service delivery.

The loss of key clients is always a potential threat. However, Attraqt seeks to mitigate this risk in several ways:

- Working closely with clients on the product innovation roadmap to provide competitive advantage to them;
- Investment in strategic partnerships to bring new capabilities;
- Investment in extensive client support and training to ensure users are able to use the solutions effectively;
- Client contracts for a minimum of 12 months or longer with automatic annual renewals.

PLATFORM OUTAGE

As a provider of a SaaS service, Attraqt relies on its hosting partners to provide an uninterrupted service. This risk is mitigated by partnering with best-of-breed cloud computing providers (Amazon Web Services and Google Cloud), the architectures of which facilitates quick recovery in the event of a single data region failure.

RECRUITMENT AND RETENTION

As with any fast-growing software business, Attraqt's growth strategy is predicated on hiring people who will be effective in realizing its growth ambitions. Attraqt is committed to the delivery of a comprehensive program of formal and informal learning and development opportunities aligned to the needs and goals of the business. Attraqt has mitigated this risk by recruiting an interim head of talent dedicated to develop and manage Attraqt's talent management function.

RETAIL SECTOR EXPOSURE

Due to the nature of the technology Attraqt offers, our customers are predominantly in the retail sector.

A widespread downturn in the economy could put pressure on capital expenditure budgets for software spending if overall retail volumes dropped, which could result in early termination of customer contracts and deter new customers from using Attraqt's services.

Recently, there has been an increase in company voluntary arrangements and administrations in the retail sector. This places customer contracts and unpaid invoices at risk, increasing the risk for churn and bad debt.

Attraqt seeks to mitigate such risks by:

- Signing clients on 12 - 36 month contracts, and
- Continually considering new market opportunities; and
- Ensuring that our customers success team engages with customers that fall into administration at an early stage to negotiate new contracts where novation is not possible; and
- Invoicing clients in advance of the service provided.

TECHNOLOGICAL RISK

Attraqt operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of Attraqt's function in the market. To remain competitive and adapt to evolving consumer buying trends, we continue to enhance and improve the responsiveness, functionality, accessibility and other features of our solutions, services and technologies.

Attraqt's Chief Partner and Strategy Officer is responsible for developing partnerships with complementary technology businesses, systems integrators and strategic partners.

DATA PRIVACY

Attraqt handles the personal data of its customers and prospective customers, suppliers, contractors, partners and employees. Attraqt is therefore affected by the Data Protection Act 2018, the UK's implementation of the General Data Protection Regulation ("GDPR").

Attraqt is committed to complying with all of its data protection obligations and has a compliance program underway. All areas of the company that handle personal data have been identified and reviewed. Attraqt is upgrading security measures, improving processes and disclosures, plus putting in place new contracts.

Other proposed legislation could impose additional requirements and prohibit the use of certain technologies, such as those that track individuals' activities on web pages or record when individuals click on an in-email link. Such laws and regulations could restrict customers' ability to collect and use email addresses, web browsing data and personal information, which may reduce demand for its products.

BREXIT RISK

At the time of writing, there remains considerable uncertainty about the post-Brexit deal between the UK and the EU. Whilst it is difficult to predict what the effect of Brexit will be on Attraqt, allowances and plans have been made for the uncertainties that exist. In that regard, Attraqt has prepared and regularly updated a Brexit risk assessment considering its impact on people, data protection, contracts, VAT and exchange rates. The executive team has been briefed and actions in each of these areas have been identified to manage the impact of Brexit on Attraqt and its customers. This would have no impact of our foreign entities from operating.

COVID-19

The true financial impact of COVID-19 is unclear at the time of writing. If the virus is not controlled and continues to spread, the Board anticipates it may cause customers to delay planned investment into technology services due to (1) an uncertain financial outlook (2) disruption in the supply chain and (3) the

ability of suppliers to produce products. It may also impact on the financial viability of some Brands.

Attraqt follows the advice provided by the UK government in relation to COVID-19, as published on its website (<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/guidance-for-employers-and-businesses-on-covid-19>). Due to the investment Attraqt has made into remote working technology, employees are able to work from home and service customers.

FOREIGN EXCHANGE RISK

Attraqt has exposure to foreign exchange rate risk due to the nature of its operations and cost base. The current uncertainty means that this risk has increased. Attraqt constantly monitors the currency market and adjusts forecasts based on expected rates.

INTELLECTUAL PROPERTY

Attraqt's intellectual property rights are important assets, which rely on a combination of copyright, registered and unregistered trademarks, registered domain names, database rights and the law protecting confidential information to define and protect its rights to brands, technologies and databases is critical to its ability to compete in the online comparison market.

Attraqt discloses proprietary knowledge, information and technology to third parties under licensing or other agreements. There is always a possibility that such a party may misappropriate or challenge Attraqt's right to such knowledge, information and technology.

To the extent that Attraqt's brands, technologies and databases are not protected by intellectual property rights, third parties, including competitors, may be able to commercialize or otherwise use Attraqt's brand, technologies and/or databases without compensating.

Attraqt also seeks to maintain certain intellectual property as trade secrets. The security of its trade secrets could be compromised by contractors or outside parties, or intentionally or accidentally by its employees, which would cause Attraqt to lose part of its competitive advantage.

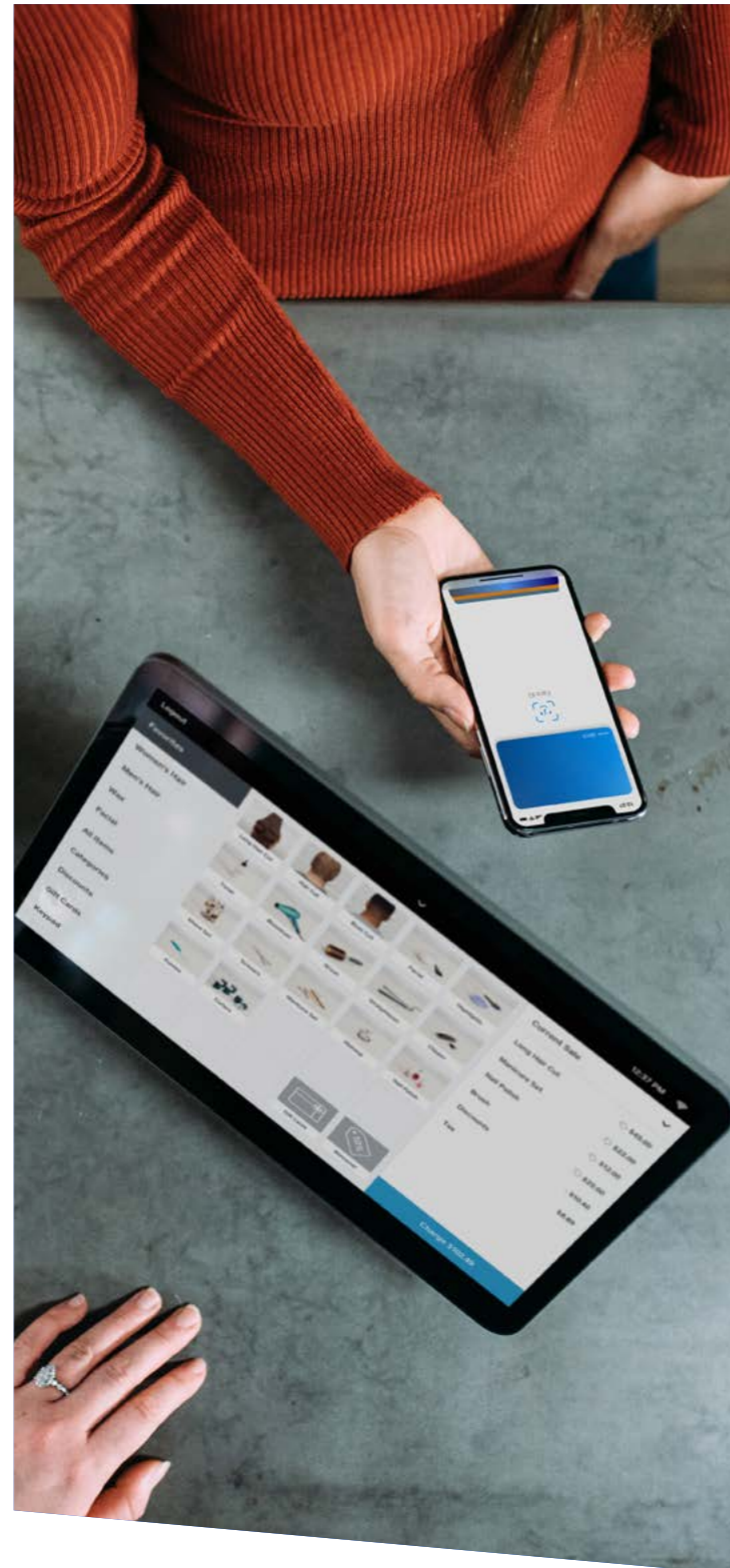
Any misappropriation of intellectual property could have a materially adverse effect on business, financial condition or operating results.

Furthermore, legal action may need to be taken to enforce intellectual property or to protect trade secrets. Defending such claims may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation, or that it can be effectively used to enforce the Attraqt's rights.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- Relations with key stakeholders such as employees, shareholders and suppliers are considered in more detail on page 20.
- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006. To ensure the Company was operating in line with good corporate practice, all Directors received refresher training on the scope and application of section 172 in writing. This encouraged the Board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future and was considered at the Company's February 2020 board meeting.
- The Board regularly reviews our principal stakeholders and how we engage with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- The Board has enhanced its methods of engagement with the workforce. In that regard, the Board has appointed a non-executive Director with designated responsibility for workforce engagement, Robert Fenner has taken on this role at Attraqt.
- We aim to work responsibly with our stakeholders, including suppliers. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies.
- A section 172 notice has been included with the board papers since February 2020. As required, the Senior Legal Counsel and Company Secretary will provide support to the Board to help ensure that sufficient consideration is given to stakeholder issues.



KEY DECISIONS MADE IMPACTING STAKEHOLDERS ARE SET OUT BELOW:

SIGNIFICANT EVENTS/DECISIONS	KEY STAKEHOLDERS	ACTIONS AND IMPACT
Acquisition of Early Birds	Shareholders, employees	<ul style="list-style-type: none"> - Shareholder consultation took place in accordance with regulatory requirements. - Employee talent management and retention programme was created and implemented.
Restructuring	Employees	<ul style="list-style-type: none"> - Decisions were made by the executive team in consultation with the Board after carefully considering employee impact. - Impacted departments were consulted in respect of changes to job descriptions. - Key employees were offered a retention bonus to mitigate the risk of them leaving the Company.
Downturn in the retail sector	Customers	<ul style="list-style-type: none"> - Customers have been consulted in relation to how the Company's technology could be used to mitigate this risk. - The Company's product offering has been diversified to assist customers to generate more revenue from eCommerce.
Expansion of the product management department	Customers, employees	<ul style="list-style-type: none"> - Customer consultation in relation to the Company's roadmap has increased to ensure that products developed match customer needs. - The development teams have been consulted and trained to work with an expanded product management department.
Share option participation	Employees	<ul style="list-style-type: none"> - Share option participation was widened to include employees meeting a one-year service criteria to improve retention.

Eric Dodd
 Chief Financial Officer
 3 March 2020

BOARD OF DIRECTORS



NICK HABGOOD
CHAIRMAN

Nick joined Attraqt in 2015 as a Non-Executive Director and became Chairman the following year. In January 2018, Nick became Interim Executive Chairman while Attraqt undertook the search for a new Chief Executive Officer. In May 2018, Nick became Chairman again when Luke McKeever, Attraqt's current Chief Executive Officer, joined Attraqt.

Following a successful executive career with GKN, Mars Corporation and MasterCard, Nick moved into private equity and is the Founder and Managing Partner of Azini Capital Partners LLP, a London based private equity firm with a shareholding in Attraqt and a track-record of successful investments in growth stage private and public technology companies.

Nick has a Master's Degree in Mechanical Engineering (M.Eng) from the University of Bristol.



GRAHAME COOK
INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed January 2020)

Grahame is an experienced FTSE and AIM non-executive, with extensive experience as an audit committee chairman. With a background in banking, where he has specialised in the life sciences, pharma and biotech sectors, Grahame has over 20 years' experience of M&A, equity capital markets and investor relations.

Grahame started his career at Arthur Andersen, where he qualified as a chartered accountant and worked within audit and corporate investigations. Subsequent positions include UBS, where he was a member of the global investment banking management committee and global head of equity advisory, and WestLB Panmure, where he was joint Chief Executive Officer. Grahame is a graduate of the University of Oxford and remains a member of the ICAEW.



ROBERT FENNER
NON-EXECUTIVE DIRECTOR

Robert has been a partner in the international law firm Taylor Wessing LLP since 2005, and a solicitor for 28 years. He is a corporate lawyer specializing in advising companies on all aspects of corporate law including listings and mergers & acquisitions. Robert and his firm advises companies (including Attraqt) at all stages of their development whether they be large multinationals or younger growing businesses and has many years of experience advising on listed company transactions.



LUKE MCKEEVER
EXECUTIVE DIRECTOR

Luke joined Attraqt in May 2018 as Chief Executive having led several successful international private and public technology businesses, including Portrait Software Plc, OB10 and Neighbourly.

He has also worked in leadership and advisory positions for international data and technology companies including Experian, Metia and Alterian.



ERIC DODD
EXECUTIVE DIRECTOR

Eric Dodd has over ten years of experience in a CFO role and joined Attraqt in 2017 from Iptor Supply Chain Systems UK Limited, a private equity-backed software and services business.

Eric has extensive public company experience, having been CFO at KBC Advanced Technology plc, an oil-focused technology services business, from 2015 until its successful sale to Yokogawa Electric Corporation in April 2016.

Eric qualified as a Chartered Accountant with Deloitte, has an MBA from London Business School and a BEng from Loughborough University.

EXECUTIVE TEAM



LUKE MCKEEVER
CHIEF EXECUTIVE OFFICER

Luke joined Attraqt in May 2018 as Chief Executive having led several successful international private and public technology businesses, including Portrait Software Plc, OB10 and Neighbourly.

He has also worked in leadership and advisory positions for international data and technology companies including Experian, Metia and Alterian.



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CHIEF FINANCIAL OFFICER

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Eric qualified as a Chartered Accountant with Deloitte, has an MBA from London Business School and a BEng from Loughborough University.



JOHN RAPP
CHIEF STRATEGY AND PARTNER OFFICER

In early 2016, John joined Fredhopper as Managing Director. His major focus was building the Marketing & Sales presence and actively supporting the Fredhopper sales process. Following Attraqt's acquisition of Fredhopper in March 2017 John became CCO of Attraqt. In January 2019, John became Attraqt's Chief Strategy and Partner Officer.

John's career includes more than 18 years' experience in the European e-commerce and digital marketing industry. Prior to joining Fredhopper, John successfully established and managed various pan-European and regional sales organizations at companies such as Intershop, Scene 7, Adobe, Jive and SDL.



DAVID NEWBERRY
CHIEF CUSTOMER OFFICER

David represents the interests of Attraqt's Customers. He joined Attraqt in September 2018 having held a number of CMO roles in leading technology companies, both in the UK and US, including Pitney Bowes. David has held brand marketing and general management positions in a large FMCG company been a senior marketing consultant as well as a co-founder of two marketing technology companies.



NICOLAS MATHON
CHIEF ARCHITECT

Nicolas leads our product AI innovations to ensure our clients fully embrace AI opportunities while building cutting-edge insights and analytics.

Throughout his career, Nicolas has worked on many major projects dealing with complex digital systems. Passionate about big data technology, he decided to set up his own company and co-founded Early Birds and in 2019 joined Attraqt following its acquisition in 2019.



ALLYSON BARCLAY
GLOBAL VP, SALES

Ally leads commercial teams to support growth in key international markets and guides existing customers with their expansion plans. Key to her role is helping customers access Attraqt's product innovation pipeline to help support their growth plans, as well as the onboarding of new customers.

Ally joined Fredhopper in early 2012, having worked in digital tech sales for six years specifically focused on the e-commerce sector for most of that period. She helped steer the transition of the Fredhopper sales team through acquisition, divestment and further acquisition.



LAETITIA COMÈS-BANCAUD
VP, SALES SEMEA

Laetitia leads the Attraqt commercial effort in the SEMEA region.

Laetitia is a graduate in marketing and has extensive experience in technology sales, part of which was acquired in the commercial department of Prosodie. She played a key role in the creation and growth of the sales and marketing departments of Motwin in Paris where she led the commercial department. In 2012, she co-founded Early Birds with Nicolas Mathon and in 2019 joined Attraqt following its acquisition.



PETER THOMAS
CHIEF TECHNOLOGY OFFICER

Peter has more than 30 years' experience in the software technology sector, with over two decades spent delivering scalable online software and services, including time at Oracle.

Peter joined Fredhopper in 2016 as CTO. Following Attraqt's acquisition of Fredhopper in March 2017 Peter remained CTO, where his main responsibilities include product development and client delivery services.

Peter has a wealth of experience in business across public and private companies. Previously he was CTO of the cloud division for IRIS Software and Director of Development at Betfair across UK, Romania and Portugal.



TERENCE TSANG
SENIOR LEGAL COUNSEL

Terence joined Attraqt in March 2018 and oversees the legal and business affairs of the group including commercial contracts, litigation, intellectual property, employment and corporate governance.

Terence qualified as a solicitor in private practice as a media, entertainment and sports litigator. He also has considerable experience in the anti-piracy arena advising filmmakers, musicians and computer game companies with digital rights enforcement in the UK and internationally. Prior to joining Attraqt, Terence was Senior Legal Counsel and Company Secretary at Guinness World Records.



ROGER BROWN
INTERIM CHIEF PRODUCT OFFICER

Roger was the CEO and co-founder of Peerius, a company that acquired by Episerver to enhance its personalisation offering. Peerius was a SaaS based omni-channel personalisation platform for online retailers that personalised the shopping journey by recommending relevant content and products to shoppers.

Roger is also non-executive director of Goinstore and a board advisor at Skibro.



ANDREA NICOL
INTERIM HEAD OF TALENT

Andrea has spent the last two decades working both as a global head hunter and talent solution adviser to some of the world's most admired corporations, as well as a number of innovative start-ups. Having worked across a wide variety of global businesses, Andrea is fundamentally passionate about creating talent strategies that match specific business requirements. Over the years, Andrea has developed a number of successful programmes for helping to both attract and nurture great talent.



JONATHAN SCHRADI
DIRECTOR OF CUSTOMER SUCCESS

Jonathan is responsible for Attraqt's customer success program, ensuring that our clients receive the best possible outcomes from their partnership with Attraqt. As part of his responsibility for client retention and customer experience, he leads Attraqt's Net Promoter Score (NPS) benchmarking program.

Jonathan has spent his entire professional career in customer-facing roles in a number of industries, where he was primarily focused on ensuring that businesses meet their client expectations. He joined Fredhopper in 2016 as a customer success manager and has been leading the customer success function for Attraqt since September 2017.

CHIEF FINANCIAL OFFICER'S STATEMENT



Eric Dodd

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	£17.7m	£17.7m	£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 £0.45m (2018: £nil).

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: 94.5%).

This strategic report has been approved and is signed on behalf of the Board:

Eric Dodd
Chief Financial Officer
3 March 2020

¹ As per definition in KPI's.

CORPORATE GOVERNANCE REPORT

As an AIM listed company, the Board place the importance of applying sound governance principles in the successful running of the Company. We adopt and adhere to the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) in so far as is practical and appropriate.

The Board refers to the detailed disclosures that may be found on the Company's website at the following address: <https://www.attraqt.com/about/investors/corporate-governance/>

THE CHAIRMAN'S ROLE AND RESPONSIBILITY FOR CORPORATE GOVERNANCE

The Chairman has overall responsibility for corporate governance working in conjunction with Attraqt's company secretary and senior legal counsel. In this regard, Attraqt believes that good corporate governance is about having the right people (in the right roles), working together, and doing the right things to deliver value for shareholders as a whole over the medium to long-term. This is achieved through robust decision making by the board, keeping it dynamic, while at the same time ensuring a consistent corporate culture throughout the organisation.

The remuneration and audit committees were established following Attraqt's admission to AIM on 19 August 2014.

THE BOARD OF DIRECTORS

The details of Attraqt's board, together with the audit and remuneration committees, are set out in the governance section.

The board aims to meet monthly with a minimum of 9 per annum and is responsible for the overall management of the Attraqt's long-term strategy and objectives and the monitoring of performance. It oversees operations and ensures the maintenance of sound internal controls and risk management systems.

Certain matters are specifically reserved for the approval of the board, including approval of significant capital expenditure, material business contracts and corporate transactions. To enable the board to discharge its duties all directors receive appropriate and timely information.

At 31 December 2019 the board consisted of a chairman, two executive directors, an independent non-executive director and one non-executive director.

BOARD MEETING ATTENDANCE | 1st January 2019 to 31st December 2019

Board member	Eligible to attend	Attended
NICK HABGOOD	10	10
IVOR DUNBAR (Resigned November 2019)	10	10
ROBERT FENNER	10	10
LUKE MCKEEVER	10	10
ERIC DODD	10	10
EDWARD EWING (Resigned February 2019)	2	2

INTERNAL ADVISORY RESPONSIBILITIES OF THE COMPANY SECRETARY

The company secretary at Attraqt acts as a trusted adviser to the Chairman and the Board. In particular, the company secretary plays a vital role in relation to both legal and regulatory compliance. The company secretary also plays a proactive and central role in ensuring good governance. In this regard, assistance is provided to the board in preparing for and running effective board meetings, including the timely dissemination of appropriate information.

EFFECTIVE RISK MANAGEMENT

The Company's system of internal control and for reviewing its effectiveness set out in detail on the Company's website:
<https://www.attraqt.com/about/investors/corporate-governance/>

BOARD EVALUATION

The Board conducted its first board evaluation in July 2018. This took the form of a chairman led questionnaire based on clear and relevant objectives, seeking continuous improvement. In doing so, it was established that the board was well-functioned, balanced and led by the chair.

The Board intends to conduct its second board evaluation in 2020.

TRAINING AND DEVELOPMENT OF BOARD MEMBERS

Where appropriate to do so, and if requested by board members, Attraqt funds training opportunities and development of board members to further its business objectives.

DIRECTORS' REMUNERATION

As set out in the remuneration report, the remuneration of the executive directors is determined by the remuneration committee. The remuneration of the non-executive directors is determined by the chairman and the executive directors. The directors recognize the importance of performance related incentives and executive directors are paid bonuses as deemed appropriate by the remuneration committee.

EXTERNAL ADVICE

The board and its committees have only sought significant external legal advice in relation to the acquisition of Early Birds SAS and its subsidiary.

RELATIONS WITH SHAREHOLDERS

Attraqt recognizes the value of communications with its shareholders. As well as the statutorily required news releases via the Stock Exchange, Attraqt issues updates on matters that it considers of interest to shareholders and the wider investing public. It responds quickly to enquiries and requests from shareholders subject to the limitations of providing price sensitive information.

All shareholders receive at least 21 days' notice of the annual general meeting at which all the directors and the chairman are normally available to answer from shareholders attending the meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

The chief executive and chief financial officer statements contain detailed reviews of the performance and financial position of the company. Attraqt uses these statements and the directors' report to present and explain the company's financial position and performance. The directors' responsibility for the financial statements is described in the directors report.

Internal control

The board confirms that it has established the procedures necessary to implement the guidance set out in the Financial Reporting Council's "Guidance on risk management, internal control and related financial and business reporting". The identification, evaluation and management of risk has been considered by the board. It is intended that this will continue to be kept under constant review and will be considered at each board meeting. The board continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management and board attention. The directors acknowledge their responsibilities for Attraqt's system of internal control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss. The board has considered the major business risks

and the control environment. Important control procedures, in addition to the day to day supervision of the business, include comparison of monthly management accounts to the budget.

Audit committee and auditors

The audit committee comprised of Ivor Dunbar and Edward Ewing, both non-executive directors until their resignations, together with Eric Dodd. When Edward Ewing resigned Robert Fenner replaced him and then became the Audit Chair upon Ivor Dunbar's resignation, this was until Grahame Cook was appointed in January 2020.

The auditors of Attraqt may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of an executive director, if required. The audit committee may examine any matters relating to the financial affairs of Attraqt and the audit. This includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment of auditors and their fees and other such related functions as the board may require. There were two meetings during the year, two of which were for audit planning and two to review the financial statements, all meetings were attended by the auditors.

AUDIT COMMITTEE REPORT

COMPOSITION AND TERMS OF REFERENCE

Dates and Members

1st January 2019 to 11th January 2019
Ivor Dunbar (Chair), Edward Ewing (Member)

12th January 2019 to 12th November 2019
Ivor Dunbar (Chair), Robert Fenner (Member)

13th November to 31st December 2019
Robert Fenner (Chair), Nick Habgood (Member)

Nick Habgood resigned as member on 6th January 2020 when Grahame Cook was appointed as Chair and Robert Fenner was appointed as member.

The board has considered the independence of the directors during their tenure and although Ivor Dunbar and Ed Ewing held equity of between 1.14% - 0.07%, both were considered to be independent non-executive directors for the period of their service.

The audit committee meets as required and specifically to review the interim report and annual report and to consider the stability and effectiveness of the internal control processes. The audit committee reviews the findings of the external auditor and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually. The audit committee is able to meet separately with the external auditor without any executive director present to discuss their independence and objectivity, the annual report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. As well as providing audit related services the auditors also provide taxation advice and corporate finance fees. Fees in respect of audit and tax service are disclosed in note 6. Fees for non-audit services paid to the auditors are not deemed to be of such significance as to impair their independence and therefore the audit committee considers that the objectivity and independence of the auditors is safeguarded. The committee reviews the audit tender and rotation annually, in line with applicable laws and regulations.

INTERNAL CONTROL

The board is responsible for establishing and maintaining Attraqt's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure of the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The audit committee monitors and reviews the effectiveness of the system of internal control and reports to the board when appropriate with recommendations.

The main features of the system of internal control are:

- A control environment exists through the close management of the business by the executive directors. Attraqt has a defined organization structure with delineated approval limits. Controls are implemented and monitored by the executive directors.
- The board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management policies and approval of budgets.
- Attraqt uses a detailed budgeting and forecasting process. Budgets are prepared annually by the executive directors and submitted to the board for approval. Forecasts, including cash flow projections, are updated at least quarterly to reflect changes in the business and are monitored by the board. Actual results are monitored against the budget on a monthly basis, with variances highlighted to the board.
- Financial risks are identified and evaluated for any major transactions for consideration by the board and senior management.
- Standard financial control procedures are operated throughout Attraqt to ensure that the assets are safeguarded and that proper accounting records are maintained.

BOARD MEETING ATTENDANCE | 1st January 2019 to 31st December 2019

Board member	Eligible to attend	Attended
IVOR DUNBAR	1	1
EDWARD EWING (Resigned February 2019)	1	1
ROBERT FENNER	2	2
NICK HABGOOD	1	0

RENUMERATION COMMITTEE REPORT

Attraqt presents its remuneration committee report for the 2019 financial year, which sets out the remuneration framework for the executive chairman, our executives and our non-executive directors. The remuneration committee report is designed to provide shareholders with a clear and detailed understanding of Attraqt's remuneration framework.

COMPOSITION AND TERMS OF REFERENCE

Dates and Members

1st January 2019 to 11th January 2019
Ivor Dunbar (Chair), Edward Ewing (Member)

12th January 2019 to 12th November 2019
Ivor Dunbar (Chair), Robert Fenner (Member)

13th November to 31st December 2019
Robert Fenner (Chair), Nick Habgood (Member)

Nick Habgood resigned as member on 6th January 2020 when Grahame Cook was appointed.

Edward Ewing and Ivor Dunbar were considered independent non-executive directors during their period of service. Robert Fenner is a non-executive director who the Board does not consider to be independent due to Attraqt's on-going relationship with Taylor Wessing. Attraqt's chairman may attend committee meetings as an observer. The remuneration committee is expected to meet not less than once a year and at such other times as required.

The remuneration committee has responsibility for determining, within the agreed terms of reference, the Attraqt's policy on the remuneration packages of the chief executive officer, chairman, and the executive directors, the group secretary, senior managers and such other members of the executive management as it is designated to consider. The remuneration committee also has responsibility for determining (within the terms of Attraqt's policy and in consultation with the chairman of the board and/or the chief executive officer) the total individual remuneration package for each executive director, the group secretary and other designated senior executives (including bonuses, incentive payments and share options or other share awards).

The remuneration of non-executive directors is a matter for the chairman and executive directors of the board. No director or manager is allowed to partake in any discussions as to their own remuneration. In addition, the remuneration committee has the responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the board and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the board.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

Executive remuneration packages are designed to attract and retain executives with the qualities and skills responsible for delivering the long-term growth of Attraqt. The remuneration committee recommends to the board remuneration packages by reference to individual performance and uses the knowledge and experience of the committee members, published surveys relating to AIM companies and data on companies of similar size and in similar industries.

There are two main elements of the remuneration package for executive directors and staff: Basic salaries, bonus and benefits in kind.

Basic salaries are recommended to the board by the remuneration committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind comprising death in service, private medical insurance and statutory pension are available to all staff and executive directors.

SHARE OPTIONS

Attraqt operates a share option scheme for the executive directors and other employees to motivate those individuals through equity participation. Exercise of share options under the scheme is subject to specified exercise periods and compliance with the AIM Rules. The scheme is overseen by the remuneration committee which recommends to the board all grants of share options based on the remuneration committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate.



BONUS SCHEME

Attraqt has a discretionary bonus scheme for staff and executive directors.

SERVICE CONTRACTS

The executive directors are employed under service contracts requiring six months' notice by either party. Non-executive directors and the chairman receive payments under appointment letters which are terminable by two months' notice by either party. The service contracts of the non-executive directors are made available for inspection at the AGM.

POLICY ON NON-EXECUTIVE DIRECTOR'S REMUNERATION

Non-executive directors are paid a fee for services as a director. The fee, which is approved by the board, mindful of the time commitment and responsibilities of the role and of current market rates for comparable organizations and appointments. All non-executive directors and the chairman are reimbursed for travelling and other incidental expenses incurred on company business.

THE EMOLUMENTS OF THE DIRECTORS WERE AS FOLLOWS (AUDITED):

	Year ended 31 December 2019					Year ended 31 December 2018
	Salary & directors' fees	Bonus	Benefits in kind	Pension	Total	Total
	£	£	£	£	£	£
Executive directors						
Eric Dodd	178,640	5,000	2,828	4,919	191,387	197,744
Luke McKeever (ii)	228,375	5,000	3,574	6,288	243,237	166,819
Andre Brown (i)	-	-	-	-	-	241,143
Non-executive directors						
Nick Habgood (iii)	40,000	-	-	-	40,000	102,500
Ed Ewing (iv)	6,667	-	-	-	6,667	40,000
Robert Fenner (v)	40,000	-	-	-	40,000	40,000
Ivor Dunbar (vi)	34,564	-	-	-	34,564	40,000
Total	528,246	10,000	6,402	11,207	555,855	828,206

- i. Resigned 12 January 2018, 1 year salary paid in lieu of notice.
- ii. Appointed 22 May 2018. £25,000 relocation allowance in 2018
- iii. Is a partner in Azini Capital Partners, the fee for Nick's services is paid to Azini Capital Partners, see note 22.
- iv. Resigned 28 February 2019
- v. A partner in Taylor Wessing, the fee for his services is paid to Taylor Wessing, see note 22.
- vi. Resigned 12 November 2019

On the 28 May 2019 the following share options were issued to the executive directors, details are shown in note 18.

Executive directors	No of Shares	Grant price	Grant date
Luke McKeever	1,063,685	27.0p	28 May 2019

On the 22 May 2018 and the 6 August 2018 the following share options were issued to the executive directors, details are shown in note 16 for the 2018 Consolidated Financial Statements for Attraqt Group plc.

Executive directors	No of Shares	Grant price	Grant date
Luke McKeever	3,191,058	31.5p	22 May 2018
Eric Dodd	1,063,685	33.5p	6 August 2018

DIRECTORS REPORT

The directors present their report with the financial statements of Attraqt Group plc for the year ended 31 December 2019.

Results

The Group made a loss after tax in 2019 of £4,022,000 (2018 - £2,762,000) on turnover of £19,434,000 (2018 - £17,144,000) representing a loss of £0.03 per share (2018: £0.03). The net cash used in operating activities was £475,000 (2018 - £295,000).

DIVIDENDS

The board do not propose the payment of a dividend for the year (2018: £nil).

DIRECTORS

All directors are expected to devote as much time as is required for the proper performance of their duties. Overall, we anticipate that each director will spend a minimum of three days a month working for Attraqt.

The directors shown below either held office during the reporting period or to the date of this report:

- Nick Habgood
- Eric Dodd
- Luke McKeever
- Ivor Dunbar (resigned November 2019)
- Edward Ewing (resigned February 2019)
- Robert Fenner
- Grahame Cook (appointed January 2020)

The biographical details of the current directors may be found on page 40 and are incorporated into this report by reference.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Attraqt purchases directors and officer's insurance against their cost in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

FINANCIAL INSTRUMENTS

Details of Attraqt's risk management objectives and policies together with its exposure to financial risk are set out in note 21 to the financial statements.

GOING CONCERN

After making appropriate enquiries, the directors consider that Attraqt has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

RESEARCH AND DEVELOPMENT

Attraqt will continue the research and development of new products and product enhancements using its internal expertise and jointly with technology partners. The selection of developments to be undertaken is based on feedback from existing and prospective clients and prioritised according to the return they can be expected to generate. Attraqt will continue to invest in research and development at the same rate as the current year, to ensure the technological risk as set out in the strategic report is mitigated.

LISTING

Attraqt's ordinary shares have been traded on the AIM Market of the London Stock Exchange since 19 August 2014. Canaccord Genuity Limited is Attraqt's nominated advisor and broker. The closing mid-market share price at 31st December 2019 was 34p.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair

view of the state of affairs and of the profit or loss for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that Attraqt will continue in business.

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

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on Attraqt's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in their jurisdictions. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

KEY FUTURE DEVELOPMENTS

The period ahead will be focused on driving the underlying operational effectiveness and performance of the business. Whilst the fundamentals of the business are good and we have a solid platform to build upon, we will continue to focus on ensuring the business is fit and ready for its next phase of growth.

The key to success for 2020 will be new client wins, further upsell to current customers and minimising attrition. We have put in place the tools to enable this strategy and look forward to delivering on it in the period ahead.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Attraqt's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Attraqt's auditors are aware of that information.

EVENTS AFTER THE REPORTING PERIOD

There have been no material events affecting the Group or Company since 31 December 2019 (Note 23).

BRANCHES OUTSIDE THE UNITED KINGDOM

The Group operates a number of subsidiaries which include four within the EU.

AUDITORS

The auditors, BDO LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Eric Dodd

Chief Financial Officer
3 March 2020



INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE ATTRAQT GROUP

Opinion

We have audited the financial statements of Attraqt Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated Financial Positions, the Consolidated Statements of Changes in Equity, the Consolidated Cash Flow Statement, the Company Statement of Financial Position and the Company Statement of Changes in Equity and the consolidated and company notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied

to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Revenue recognition (notes 2 and 4)

IFRS 15 focuses on revenue being recognised in conjunction with performance obligations being satisfied either “at a point in time” or “over time”. We consider there to be a fraud and judgemental risk arising from the inappropriate or incorrect calculation of the split between revenue and deferred or accrued revenue around year end (cut off) as there is a risk that revenue will be incorrectly accrued at year end due to the pressure on management to achieve forecast profits.

OUR RESPONSE

Our audit work included, but was not restricted to, the following:

- Where appropriate we obtained an understanding regarding the design and implementation of the controls over revenue invoicing and recognition.
- We recalculated expected revenue and deferred revenue based on verified contract value and relevant invoicing frequency and time periods for a sample of SaaS revenue.
- We recalculated a sample of Service revenue and deferred/accrued revenue balances based on verified contract values, hourly rates and timecard data.
- We completed cut off testing and traced a sample of December 2019 and January 2020 invoices through to supporting documentation and ensured that these items had been appropriately accounted for in either 2019 or in 2020.
- We reviewed post year end credit notes raised to ensure any items relating to the financial year under audit had been correctly accounted for.
- We performed a completeness review of deferred SaaS revenue based on our knowledge that customer invoicing is primarily quarterly or monthly in advance and agreed a sample of customers with invoices posted in the final quarter and no deferred revenue balance at year end.
- We reviewed manual journal postings over a set threshold to revenue, deferred and accrued revenue and verified any entries outside our expectations.

Key observations: We did not identify any material errors or adjustments based on our work performed.



KEY AUDIT MATTER

Acquisition of Early Birds (notes 2 and 13)

The Parent Company acquired Early Birds in May 2019.

As a result of this acquisition, the Group has recognised on consolidation goodwill of £9,064,000 and Intangible Assets of £6,524,000 based on a report prepared by an external valuation specialist.

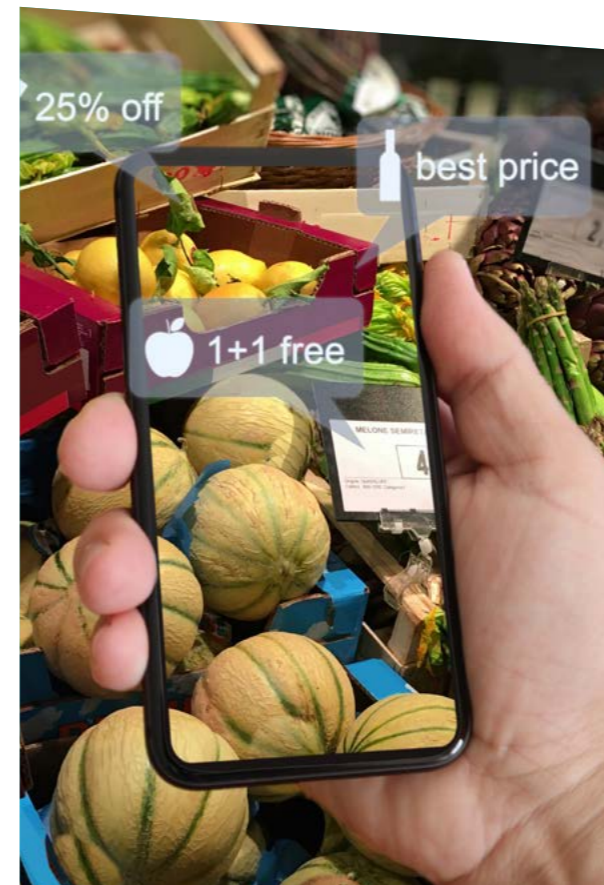
We consider there to be a significant risk over the valuation of separately identified intangibles, given the level of judgement and estimation in the calculation.

OUR RESPONSE

Our audit work included, but was not restricted to, the following:

- We obtained the sale and purchase agreement and verified the key terms and consideration paid for the business.
- With the assistance of our internal valuation specialists we have reviewed the reasonableness of assumptions used in the valuation of separately identified intangibles by the external valuation specialists, including growth rate assumptions and discount rates applied, with reference to externally available rates, market experience and comparable company data.
- We reviewed the calculation of goodwill and the fair value of assets acquired to confirm that the inputs and calculations were in accordance with IFRS 3 and accepted practice. Specifically, we performed substantive testing over the fair value of consideration and acquisition balance sheet to ensure that there are no material errors and confirmed the arithmetic accuracy of management’s calculations.
- We reviewed the transition from French GAAP to IFRS for the opening balance sheet and performed cut off testing of revenue and expenditure around the completion date to that entries were made in the correct period.

Key observations: We did not identify any material misstatements based on our work performed.



KEY AUDIT MATTER

Capitalisation of Internal Development Costs (Notes 2,3 and 12)

The Group capitalises costs incurred in relation to the development of the software utilised in the Group's service offerings to customers.

In accordance with IAS 38, management's policy is to capitalise development expenditure on internally developed software products if these costs can be reliably measured and the asset meets the relevant criteria.

There is a significant management judgement in the application of IAS 38 criteria to research and development costs and therefore we assessed that this reflects a significant risk that development costs are incorrectly capitalised in the year.

OUR RESPONSE

Our audit work included, but was not restricted to, the following:

- We reviewed a sample of development additions capitalised in the year and assessed whether IAS 38 criteria were met.
- This included verification of staff rates to contract, and hours charged to timecard data, as well as discussion with the appropriate project managers in the development team to obtain an understanding of the project.
- We reviewed amortisation rates applied to confirm aligned with expected useful live of the assets based on discussion of expected pattern of upgrades and reference to amortisation rates used in the industry.

Key observations: We did not identify any material errors or adjustments based on our work performed.

KEY AUDIT MATTER

Recoverability of Group goodwill, intangible assets and Parent Company Investments Group (Notes 2, 3 and 12)

As a result of acquisition activity and internal development completed to enhance the product offering of the Group, the Group has significant goodwill, acquired Intangible and internally generated intangible assets of £25,649,000, £12,848,000 and £1,657,000 respectively. Any potential impairment would have a significant impact on reported results of the Group.

IAS 36 'Impairment of Assets', requires management to test goodwill acquired in a business combination for impairment annually. Management are required assess at the end of each reporting period whether there is any indication that an asset may be impaired.

We consider there to be a significant risk in this impairment review due to the extent of management judgement in determining the underlying assumptions used in the impairment review. These assumptions include the discount rate, the operating margin and the growth rate.

Parent (Parent Company accounting notes 1 and 2)

As a result of the acquisitions made, the Parent Company holds a significant investment in subsidiaries balance of £38,870,000.

Management exercise significant judgement in assessing whether there is an indication of impairment of this balance.

OUR RESPONSE

Our audit work included, but was not restricted to, the following to consider the valuation of goodwill, intangibles and Parent Company Investments:

- We tested the integrity of management's impairment models by verifying arithmetic accuracy and suitability of the models used and confirming key inputs to source, and reviewed and recalculated supporting calculations for discount rates used.
- We challenged and assessed the reasonableness of the assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and reference to accuracy of previous forecasts.
- We have performed sensitivity analysis over the key assumptions used by management and reviewed the disclosures including the impact of changes in key assumptions.
- As a result of the impairment testing performed at consolidated level, we were satisfied that the investment in subsidiaries balance in the Parent Company was also not impaired.

Key observations: We did not identify any material errors or adjustments based on our work performed.



OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £286,000 (2018: £257,100). This was determined on the basis of 1.5% (2018: 1.5%) of draft consolidated revenue. Under auditing guidelines the default performance measure for profit driven entities should be profit before tax, however in the case of this group revenue was considered to be most appropriate due to the focus on on-going investment in growth through acquisition and development of software and losses made in the year. Revenue provides a consistent year on year basis for determining materiality and has been concluded as the most relevant performance measure to the stakeholders of the Group.

Performance materiality was set at 75% (2018 – 75%) of the above materiality level taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, the number of material estimates and the expected use of sample testing.

Where financial information from components was audited separately, component

materiality levels were set for this purpose at lower levels up to a maximum of 75% of Group materiality and ranged between 35%-75% of Group Materiality, £99,000 to 214,650.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £5,700 being 2% of Materiality (2018: 5,142, 2% of Materiality). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

The materiality for the Parent Company financial statements, as a holding company, was based on 2% of total assets but restricted to 75% of Group materiality and was £214,650 (2018: 192,825). Performance materiality was set at 75% of materiality (2018: 75%) taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements and the number of material estimates.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit of the Group and Parent Company financial statements was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, the performance and financial position of each component as a proportion of the total for the Group and assessing the risks of material misstatement at the Group level. Based on our assessment, we focused our Group audit scope on the Group's primary operating entities within the UK, France and the Netherlands, as well as the Parent Company, and BDO LLP performed full scope audits on these four entities. For the other components that were not identified as significant to the Group, we performed limited procedures at a Group level on key items and risk areas and analytical review procedures.

Components that were subject to full scope audit procedures, accounted for 96% of the Group's revenue, 83% total expenditure and 99% of the Group's net assets.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.





MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

USE OF OUR REPORT

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

John Everingham (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

3 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2019

	Note	2019 £'000	2018 £'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)

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2019

	Note	2019 £'000	2018 £'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 31st December 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Plant and	10	318	168
Right of use assets	11	1,354	-
Intangible asset	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 31st December 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 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 31st December 2019

	Notes	2019 £'000	2018 £'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 operating activities		(11,954)	(766)

	Notes	2019 £'000	2018 £'000
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			
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

NOTES TO THE 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 administrative 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 have 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
<i>Of these which are:</i>	
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 judgements 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 £'000	2018 £'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 than 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 £'000	2018 £'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 £'000	2018 £'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 £'000	2018 £'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 £'000	2018 £'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 £'000	2018 £'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 £'000	2018 £'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 £'000	2018 £'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
Cost	£'000	£'000	£'000	£'000
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

Cost	Leasehold Properties	Total
	£'000	£'000
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
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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 £'000	Customer relationships £'000	Existing Technology £'000	Trademark £'000	Software Development £'000	Total £'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 £'000	Fredhopper BV Net book value £'000	Fredhopper BV Net book value £'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 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	7 th 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	7 th 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	7 th 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

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

¹ - Held through Attraqt Limited

² - Held through Fredhopper BV

³ - Held through Early Birds SAS

15. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'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 £'000	2018 £'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 £'000	2018 £'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

	2019 £'000	2019 £'000	2019 £'000	2018 £'000	2018 £'000	2018 £'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:

Date of Grant	Expiry Date	Exercise Price (p)	2019		2018	
			Share options (Number)	Remaining life (Years)	Share options (Number)	Remaining life (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
	£'000	£'000
Current		
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	-	-	-	-

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 31st December 2019 | Company number: 08904529

	Notes	2019 £'000	2018 £'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

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 31st December 2019 | Company number: 08904529

	Notes	Share Capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018						
Loss for the year		-	-	-	(344)	(344)
Total comprehensive loss for the year		-	-	-	(344)	(344)
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		1,064	30,108	1,238	(3,471)	28,939
Loss for the year		-	-	-	(374)	(374)
Total comprehensive loss for the year		-	-	-	(374)	(374)
Contributions by and distributions to owners						
Shares issued	5	736	19,156	-	-	19,892
Issue costs	5	-	(748)	-	-	(748)
Share based payment charge	6	-	-	185	-	185
Total contributions by and distributions to owners		736	18,408	185	-	19,329
Balance at 31 December 2019		1,800	48,516	1,423	(3,845)	47,894

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

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 £'000	2018 £'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 £'000	2018 £'000
Prepayments	82	24
Trade receivables	113	106
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 £'000	2018 £'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 Number of Shares	2019 £'000 Share capital	2019 £'000 Share Premium	2018 £'000 Number of Shares	2018 £'000 Share capital	2018 £'000 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 £'000	2018 £'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.

COMPANY INFORMATION

For the year ended 31st December 2019

Country of incorporation

United Kingdom

Legal form

Public limited company

Directors

Nick Habgood
Luke McKeever
Eric Dodd
Grahame Cook
Robert Fenner

Secretary and registered office

E Dodd
7th Floor
222-236 Gray's Inn Road
London
WC1X 8HB

Company number

08904529

Auditors

BDO LLP, 2 City Place, Gatwick, West Sussex, RH6 0PA

Bankers

Barclays Bank Plc, Barclays Business Centre, 27 Soho Square, London, W1D 3QR

Lawyers

Taylor Wessing LLP, 5 New Street Square, London, EC4A 3TW

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