26 February 2015

**ATTRAQT Group plc**
(“ATTRAQT”, the “Group” or the “Company”)

**FULL YEAR RESULTS FOR YEAR ENDED 31 DECEMBER 2014**

***Continued growth in revenues, clients and platform usage***

ATTRAQT Group plc (AIM: ATQT), a leading provider of eCommerce site search, merchandising and recommendation technology, announces its audited results for the full year ended 31 December 2014.

**Financial Highlights**

- Significant revenue growth of 32% to £2.09m (2013: £1.58m)
- Recurring annualised monthly revenue increased by 30% to £1.92m (2013: £1.48m)
- Exit rate (year-end annualised billing) up 42% at £2.36m
- Average annual value of new client contracts signed increased by 45%
- 31% increase in gross profit to £1.69m (2013 £1.29m)
- Adjusted EBITDA[1] losses were £0.74m (2013: £0.39m), in line with management expectations, reflecting investments in the Freestyle Merchandising platform (the “Platform”) and the US operations.
- Cash at period end £0.31m (2013: £0.26m)

*1. Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortization and share based payments*

**Operational Highlights**

- Continued client growth with 36 new customers secured for Freestyle Merchandising, including first six US customers, bringing the total client number at end of period to 87 (2013: 60)
    - New customers include Ben Sherman, Fat Face, Heals, JD Williams and Warehouse.
- Client usage of the Platform increased 41% in the period
- 35 new customer implementations in the period, bringing the total number of live sites to 110
- 8 Freestyle Merchandising platform upgrades delivered during the year, including additional functionality such as improved currency and language support, options to synchronise product collections between sites, increased reporting and A-B testing
- Launch of new product, ATTRAQTMail™ in Q4, allowing retailers to merchandise to customers through their current email marketing systems
- Very strong performance during Black Friday and the Christmas trading period
- Confident in the outlook for 2015 and beyond with an exciting development roadmap in place

**Admission to AIM**

- Successful admission to AIM on 19 August 2014, raising £1.25m, to fund expansion, increase capacity and the further development of ATTRAQT’s core technology

**Andre Brown, CEO of ATTRAQT Group plc, commented:** “We are very pleased with the strong operational and financial progress achieved by ATTRAQT in 2014, with significant revenue growth of 32%. We have continued to gain traction with leading retailers in the UK and US, adding 36 new customers in the year, bringing the total to 87 with 110 live sites.

“Looking forward, ATTRAQT will continue to focus on signing new clients, both in the UK and US, and delivering the best possible service to our clients. In addition, production processes remain a key focus for the company as we seek to expand our productive capacity in order to support the increasing volume of new clients being signed.

“With a strong pipeline of new business opportunities for 2015, and an increasingly sophisticated merchandising platform, we are confident in the ongoing success of ATTRAQT and in the outlook for 2015 and beyond.”

**For further information, please contact:**


| | |
|---|---|
| **ATTRAQT Group plc**<br>André Brown, CEO<br>David Stirling, CFO | via Newgate |
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**About ATTRAQT**

ATTRAQT (formerly branded as "Locayta") was founded in 2003 by André Brown (CEO) and Dan Wagner (Chairman), with the ambition of providing the best possible site search service for online retailers, with early customers including Nectar and BT Directories. In 2009, the Group launched its merchandising platform ***Freestyle Merchandising*** which included product recommendations, site search and visual merchandising. The client base has now grown to approximately 90 clients, including Tesco Clothing (part of Tesco Plc [LSE: TSCO]), Boohoo.com (LSE: BOO) and Superdry (LSE: SGP). The Company has market presence in Western Europe and the US with offices in London and Chicago.

**Chairman's Statement**

As a newly listed PLC, I am delighted with the performance of the Company and its management team. We have had a fantastic year signing 36 new clients, taking our client roster to 87 clients, with 110 live sites.

The Group is experiencing growing demand from major retail players seeking to significantly improve their conversion rates, customer retention and increase the average value of orders.

ATTRAQT's powerful merchandising software delivers significant value to retailers as demonstrated by the recent success of Black Friday where the business saw client usage of its Freestyle Merchandising platform increase to over 6 times the normal rate. More significantly, the average conversion rate rose to 5%, a 50% increase over a normal Friday (3.3%) and the number of transactions was 630% higher than normal.

On Black Friday, the Platform served 2.8m unique users in a single day, an increase of 245% on a normal day - together with a 107% increase in activity compared with the same period in 2013. Furthermore, Cyber Monday and Boxing Day, although not as busy as Black Friday but themselves key trading days, also saw very high levels of activity.

The trends we are seeing across the Platform are very exciting. Not only have we significantly increased the number of customers on the Platform, but their reliance on our software is also increasing.

Importantly, the return on investment delivered by our software to our customers continues to grow. Our two largest clients saw online revenue delivered through the Platform increase by 56% and 58% respectively in 2014. Beyond these two clients, the average increase in online revenue delivered through the Platform to the rest of the Group's client base in 2014 was 23%.

This has flowed through into a solid set of results for the year, demonstrating top line growth of 32% to £2.09m with a modest increase in EBITDA loss, reflecting our investments in the Platform and operations of the business.

2015 has started well for ATTRAQT and the Board looks to the future with confidence.

**Dan Wagner**
Chairman
26 February 2015

**CEO's Statement**

**Introduction**

We are very pleased with the strong operational and financial progress achieved by ATTRAQT during 2014. We have grown our customer base significantly, adding important marquee names to our client roster, further building the volume of recurring revenue.

The focus on our production processes earlier in the year has paid off with a significant increase in the number of new client sites being delivered in 2014. Success in sales and production has contributed to the growth in revenue, which we expect to see continue in 2015.

We have made some significant enhancements to the Platform during the year and have an exciting development programme for 2015. In addition, we are working on a number of important technology partnerships to extend the functionality of the Platform and to expand the use of our technology into new market segments.

*Business model*

The Company's business model is based on a recurring monthly service fee plus a one-off set-up fee and additional follow-on project fees. Clients sign up for a minimum of 12 months but some larger clients sign up for a longer period of 2-3 years.

The current sales model is based on direct sales via a dedicated sales team. Due to the importance of the functionality provided by the Platform to our clients, client loyalty is strong and churn is typically less than 5% of revenue per annum, with most clients automatically renewing at the end of the contractual term. This rate remains the same throughout the year, on an annualised basis.

*Growth strategy*

The Company's current objective is to become the merchandising platform of choice for online retailers in Western Europe and the US with the longer-term aim of taking on more global capacity.

ATTRAQT's business plan is simple and scalable, founded on 5 key elements:

1) Focus on sales and marketing to grow client base and volume of recurring revenue;
2) Expand the company's productive capacity to keep pace with accelerating sales;
3) Develop strategic partnerships – both sales and technology – to accelerate sales growth and extend our product offering;
4) Extend the capabilities of the Platform through continued investment in platform development, adding new features and creating new products to create new revenue streams; and
5) Identify new markets and new ways to repurpose our technology.

**Review of Sales & Operations**

The Company has continued to grow the client-base in the year, adding 36 new clients in the UK and the US (2013: 31) worth £0.89m on an annualised basis. These included important marquee names such as Ben Sherman, Cotton Traders, Heals, JD Williams, Kate Spade, Screwfix, Warehouse, Wilkinson and White Stuff – bringing the total number of clients by the end of December 2014 to 87 (2013: 60).

The average value of new client contracts signed in 2014 has increased by 45% to £24,700, reflecting the clear return on investment we can demonstrate for our products, the growing maturity of the sales team and process and the increasing size of our typical customer.

Production also performed well in 2014, with the Company delivering 35 new client sites during the year bringing the total live sites to 110 by year end. The Company also started 24 new site builds at the end of 2014 which are scheduled to be delivered in 2015.

It is also pleasing to see existing clients trusting the Company to do follow on project work, such as

RWD (responsive web design) projects and search auto-complete projects during 2014.

The Company’s investment in excellent client service continues to pay dividends through low customer churn rates. We have achieved renewals from major clients, including BT Directories and Nectar both having been clients since 2005, as well as Laura Ashley, Paperchase and Tesco Clothing.

Interesting client implementations during the year included the following:

- Ellis Brigham decided to leverage the ‘check-out page’ by tempting customers to add extra items to their basket just before they pay. During Christmas trading, Ellis Brigham used the tools within Freestyle Merchandising to make sure the first two products in the ‘recommendation zone’ were £10 and £20 gift vouchers. This was a huge success as customers were triggered to buy gift vouchers where they normally would not have thought to do so.

- Life Style Sports recently went live with an 'iPad Ambassador’ program where in-store sales staff are supplied iPad tablets loaded with ATTRAQT’s Freestyle Merchandising solution. These devices are then deployed as an alternative browsing and check-out channel. The functionality replicates the main website which, in-store, allows for a wider range of products to be considered, alleviates stock issues, enables greater interaction with the customer and ultimately offers a more streamlined check out process. Customer feedback was very positive – they particularly liked the integration and ease of purchase and delivery.

*US Expansion*

ATTRAQT has continued to focus on its US expansion plans following the establishment of a sales office in New York at the end of 2013. During 2014, we have successfully added 6 new US clients; Cufflinks.com, Ghurka, Kate Spade, Revolve Clothing, St. Bernards Sports Inc, and 1-800Wheelchairs. The Company recently hired a senior sales person together with a telemarketer as part of its plans to continue the expansion of the US operation.

*Platform enhancements and Product development*

Platform enhancements and product developments increase the competitive strength of the Platform, with developments being largely driven by customer demand and trends in the market. In particular, 2014 saw the continuing development of the Platform with eight upgrades being deployed during the year.

These releases included additional functionality such as improved currency and language support and options to synchronise product collections between sites. Other enhancements included increasing the performance and functionality of the Platform, integrating “A-B testing” to allow retailers to split site traffic to test different merchandising strategies, enhanced search capabilities and increased reporting functionality.

*Market Developments*

Online retail is a very competitive and high profile industry that is constantly evolving as retailers find new ways to drive conversion rates and increase customer loyalty.

A new and developing market trend has been the move by retailers away from the automated ‘black-box’ algorithm method of providing product recommendations. The black box method works by blindly processing data through an algorithm, which neither provides an explanation for its recommendations nor allows the retailer to make adjustments to the recommendations.

The market trend is towards a more nuanced approach that allows the retailer interaction with the recommendations being made and in particular to extend their merchandising strategies into those recommendations – a move which plays to the core strength of the Platform.

One of the other big developments we have seen in the market is the move to multi-channel with retailers such as Tesco Clothing adopting in-store tablets and kiosks, and to internationalisation; with clients such as Superdry rolling out 20 international sites.

The big challenge for both multichannel and internationalisation is how to ensure consistency of merchandising across channels and countries – something at which the Board believes ATTRAQT particularly excels through its Platform. We will continue to monitor market trends and enhance the Platform to ensure it meets customers' needs.

**Financial Review**

Total revenue was marginally ahead of expectations, having risen by 32% to £2.09m (2013: £1.58m) as new customers were added and existing customers launched additional sites. The recurring monthly revenue, which represents 90% of total Group revenue also rose by 30% from £1.48m to £1.92m and the Exit Rate (year-end annualised billing) for 2014 was up 42% at £2.36m.

The Group recorded losses before tax and at the EBITDA level, both at levels in line with management expectations. Losses before tax increased to £1.53m (2013: £0.56m), predominantly as a result of the AIM flotation expenses, the higher ongoing costs associated with the Company's public listing and investing to grow the business EBITDA losses rose to £0.74m (2013: £0.39m), driven by the investment in the US sales operation and in expanding the productive capacity of the Company. ATTRAQT continues to invest in technical enhancements to the existing product offerings and in new products. Some of this cost is capitalised but some is absorbed as part of the operating costs of the business.

**Admission to AIM**

As a UK-based technology company, AIM feels like the natural home for ATTRAQT. The Company spent the first half of 2014 preparing for its admission to the AIM market, which was successfully completed on 19 August 2014.

We are proud of ATTRAQT's progress to date, having achieved a great deal over the last 12 years, since our founding in 2003. We now have a strong portfolio of clients and believe that by joining AIM, we will have an increased profile with future customers and better access to funds, allowing us to further develop the Company both domestically and internationally.

The capital raised on IPO; £1.25m before expenses by way of a share subscription, is being used to fund expansion of the US sales team, increase the productive capacity of the business and increase the functionality of the core platform.

**Outlook**

We are very pleased with the strong progress we have made in 2014. The management team is delivering to plan and we are gaining traction with leading retailers both in the UK and US, securing an increasing number of larger customers as retailers look for a means to grow their online revenues and interact with their customers in a more personalised manner.

- There is real momentum in the sales process and we see this continuing into 2015.
- The Platform is performing well, having coped with a significant increase in Platform usage in 2014 compared to 2013 without affecting performance.
- Our production processes are becoming more efficient, enabling the Company to support the increasing volume of new clients being signed.
- The US sales operation continues to show good progress, having signed six new clients from a standing start.
- We have maintained our high margin and low revenue churn.

With a strong pipeline of new business opportunities for 2015, and an increasingly sophisticated merchandising platform, we are confident in the ongoing success of ATTRAQT and in the outlook for 2015 and beyond.

**André Brown**
Chief Executive Officer
26 February 2015

**ATTRAQT Group PLC**
**Consolidated statement of comprehensive income**
**For the year to 31 December 2014**

| | Note | Year to 31 December 2014 £'000 | Year to 31 December 2013 £'000 |
|---|---|---|---|
| **Revenue** | 4 | 2,086 | 1,581 |
| Cost of sales | | (399) | (294) |
| **Gross profit** | | 1,687 | 1,287 |
| Administrative expenses | | (2,736) | (1,845) |
| Exceptional administrative expense | 5 | (484) | - |
| Total administrative expenses | | (3,220) | (1,845) |
| **Loss from operations** | | (1,533) | (558) |
| **Loss before tax** | | (1,533) | (558) |
| Tax credit | | 119 | 98 |
| **Loss for the year** | | (1,414) | (460) |

**Consolidated statement of comprehensive income**

| | | Year to 31 December 2014 £'000 | Year to 31 December 2013 £'000 |
|---|---|---|---|
| Loss for the year | | (1,414) | (460) |
| **Other comprehensive income:** | | | |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (26) | - |
| **Total other comprehensive income** | | (26) | - |
| **Total comprehensive loss for the year attributable to shareholders of the parent** | | (1,440) | (460) |
| Basic and diluted | 6 | (8p) | (3p) |

**ATTRAQT Group PLC**
**Consolidated statement of financial position**
**as at 31 December 2014**

| | 2014<br>£'000 | 2013<br>£'000 |
|---|---|---|
| **Assets** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 50 | 70 |
| Intangible assets | 120 | 120 |
| | 170 | 190 |
| **Current assets** | | |
| Trade and other receivables | 310 | 333 |
| Corporation tax recoverable | 119 | - |
| Cash and cash equivalents | 307 | 261 |
| | 736 | 594 |
| **Total assets** | 906 | 784 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 540 | 376 |
| **Total liabilities** | 540 | 376 |
| **NET ASSETS** | 366 | 408 |
| **Issued capital and reserves attributable to owners of the parent** | | |
| Share capital | 206 | 2 |
| Share premium | 1,252 | 1,632 |
| Merger reserve | 1,457 | - |
| Equity component of convertible debt | - | 45 |
| Share based payment reserve | 222 | 60 |
| Foreign exchange reserve | (26) | - |
| Retained earnings | (2,745) | (1,331) |
| **TOTAL EQUITY** | 366 | 408 |

**ATTRAQT Group PLC**
**Consolidated statement of cash flows**
**for the year ended 31 December 2014**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | **(1,414)** | **(460)** |
| *Adjustments for:* | | |
| Depreciation of property, plant and equipment | **34** | **34** |
| Amortisation of intangible fixed assets | **132** | **131** |
| Income tax credit | **-** | **(98)** |
| Share based payment expense | **162** | **60** |
| Foreign exchange loss | **(40)** | **-** |
| | **(1,126)** | **(333)** |
| Increase in trade and other receivables | **(96)** | **(33)** |
| Increase/(decrease) in trade and other payables | **164** | **(43)** |
| **Cash used in operations** | **(1,058)** | **(409)** |
| Income taxes received | **-** | **85** |
| **Net cash flows from operating activities** | **(1,058)** | **(324)** |
| **Investing activities** | | |
| Purchases of property, plant and equipment | **(15)** | **(58)** |
| Development of intangibles | **(131)** | **(97)** |
| **Net cash used in investing activities** | **(146)** | **(155)** |
| **Financing activities** | | |
| Issue of ordinary shares, net of issue costs | **1,295** | **693** |
| Repayment of debt | **(45)** | **-** |
| **Net cash from investing and financing activities** | **1,104** | **538** |
| **Net increase in cash and cash equivalents** | **46** | **214** |
| **Cash and cash equivalents at beginning of year** | **261** | **47** |
| **Cash and cash equivalents at end of year** | **307** | **261** |

**ATTRAQT Group PLC**
**Consolidated statement of changes in equity**
**for the year ended 31 December 2014**

| | Share capital | Share premium | Merger reserve | Other reserve | Share based payment reserve | Foreign exchange reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | | | | | | | | |
| **1 January 2013** | 177 | - | 1,457 | 454 | - -- | - | (871) | 808 |
| | | | | | | | | |
| **Total comprehensive Income for the year** | - | - | - | - | - -- | - | (460) | (460) |
| **Share based payment charge** | - | - | - | - | 60 | - | - | 60 |
| | | | | | | | | |
| **31 December 2013** | 177 | - | 1,457 | 45 | 60 | - | (1,331) | 408 |
| | | | | | | | | |
| **Loss for the year** | - | - | - | - | - | - | (1,414) | (1,414) |
| **Translation of foreign entity** | - | - | - | - | - | (26) | - | (26) |
| | | | | | | | | |
| | - | - | - | - | - | (26) | (1,414) | (1,440) |
| **Share based payment charge** | - | - | - | - | 162 | - | - | 162 |
| **Issue of share capital** | 29 | 1,252 | - | (45) | - | - | - | 1,236 |
| | | | | | | | | |
| **31 December 2014** | 206 | 1,252 | 1,457 | - | 222 | (26) | (2,745) | 366 |
| | | | | | | | | |

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. |
| Other reserve | Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital). |
| Merger reserve | The merger reserve results from the application of merger accounting on the acquisition of ATTRAQT Inc and ATTRAQT Limited. Accounting for the transaction was on a merger basis. |
| Share based payment reserve | The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised. |
| Foreign exchange reserve | The difference arising on the translation of the assets and liabilities of the overseas subsidiary company into the functional currency of the Group. |
| Retained earnings | All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. |

## 1. Accounting policies

### *General information*

The principal activity of ATTRAQT Group PLC ("the Company") and its subsidiaries (together "the Group") is the development and provision of eCommerce site search, merchandising and recommendation technology.

The principal trading subsidiaries are ATTRAQT Limited and ATTRAQT Inc.

The Company is a public limited company which is quoted on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is Heron Tower, 35th Floor, 110 Bishopsgate, London, EC2N 4AY.

The registered number of the company is 8904529.

### *Basis of preparation*

The consolidated financial statements are for the year ended 31 December 2014. They have been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 December 2014 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and are presented in Sterling rounded to the nearest thousand except where indicated otherwise.

A business combination is a ''common control combination'' if the combining entities are ultimately controlled by the same party (including the same individual shareholder or a group of shareholders acting together in accordance with a contractual arrangement) both before and after the combination and the common control is not transitory.

For the purposes of the consolidated financial information, the creation of the ATTRAQT Group PLC has been treated as a business combination involving entities under common control. Business combinations involving entities under common control fall outside the scope of IFRS 3: Business Combinations. In accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, management have considered the pronouncements of other standard-setting bodies in developing an accounting policy for common control combinations.

The Group has adopted FRS 6 Acquisitions and Mergers as allowed under IFRS and Companies Act 2006 as a basis of preparation of these financial statements.

### *Going concern*

The financial statements have been prepared under the going concern basis as the directors have undertaken a review of the future financing requirements of the ongoing operation of the group and are satisfied that sufficient cash together with bank and other facilities is available to meet its working capital requirements for at least 12 months from the date of signing these financial statements. The directors accordingly consider it appropriate for the financial statements to be prepared on a going concern basis as disclosed in the Directors Report.

***Changes in accounting policies***

**The following standards, amendments and interpretations became effective and were applied for the first time this year:**

| Standard/ interpretation | Content | Applicable for financial years beginning on/after |
|---|---|---|
| IAS 27 Separate financial statements | The amendment contains accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. | 1 January 2014 |
| IAS 32 Offsetting financial assets and financial liabilities | The amendment seeks to clarify rather than change the off-setting requirements previously set out in IAS 32. | 1 January 2014 |
| IFRS 10 Consolidated Financial Statements | The new standard replaces the consolidation requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. | 1 January 2014 |
| IFRS 11 Joint Arrangements | The new standard requires that a party to a joint arrangement recognises its rights and obligations arising from the arrangements rather than focusing on the legal form. | 1 January 2014 |
| IFRS 12 Disclosure of Interests in Other Entities | The standard includes the disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. | 1 January 2014 |

The Directors continue to monitor the impact of future changes to the reporting requirements but do not believe the proposed changes will significantly impact the financial statements.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group in the 31 December 2014 financial statements.**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group.

| Standard/interpretation | Content | Applicable for financial years beginning on/after |
|---|---|---|
| IFRS 9 Financial Instruments (2009) and amendment | The standard will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: classification and measurement, impairment and hedge accounting. | 1 January 2018 |
| IFRS 15 Revenue from contracts with customers | The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. | 1 January 2017 |

The impact of adopting IFRS 15 for ATTRAQT Group PLC would not be significant.

***Basis of consolidation***

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

***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 eCommerce services to online retailers which includes site search, merchandising and product recommendation technology. These are recurring revenues that are recognised on a monthly basis.

Revenue from services provided by the ATTRAQT Group is recognised when the ATTRAQT Group has performed its obligations and in exchange obtained the right to consideration which can be reliably measured and it is probable that economic benefits will flow to the entity.

If amounts have been invoiced in advance for services, these amounts are deferred until the service has been provided to the client at which point the income is recognised. Within the ATTRAQT Group income is recognised across three streams:

- Recurring revenues – a monthly subscription is earned from customers to the software as a service platform. Operation of the service is provided for a fixed term.
- Once-off fees – work is undertaken for existing clients to expand or upgrade the service they receive and this is billed for separately. Revenue is recognised on stage of completion on this work. Stage of completion is calculated based on estimated hours to complete the work versus the number of hours already done.

Interest is recognised using the effective interest rate method. Expenses are recognised on an accruals basis and upon utilisation of the service.

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

***Foreign currency***

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

On consolidation, the results of overseas operations are translated into Sterling Pounds at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisitions of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in profit or loss in Group entities separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

***Financial assets***

*Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Their carrying value approximates fair value at both reporting dates.

*Cash and cash equivalents*

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

***Financial liabilities***

*Other financial liabilities*

Other financial liabilities include the following items:

- 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.

- Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

***Leases***

Where the risks and rewards of ownership of an asset are transferred to the group as lessee, the lease is treated as a finance lease. Other leases are treated as operating leases. Future instalments payable under finance leases net of finance charges are included in creditors with the corresponding asset values recorded in property, plant and equipment and depreciated over the shorter of their estimated useful lives or their lease terms. Lease payments are apportioned between the finance element, which is charged to the income statement as interest, and the capital element, which reduces the outstanding obligation for future instalments.

Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

***Share capital***

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

The Group's ordinary shares are classified as equity instruments.

***Income taxes***

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 taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Company; or
- different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in

which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

***Segmental reporting***

For the purpose of IFRS 8, the chief operating decision maker ("CODM") 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 considered to be one reportable segment. The internal and external reporting is on a consolidated basis with transactions between group companies eliminated on consolidation. Therefore the financial information of the single segment is the same as that set out in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position and statement of cash flows.

***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 the periods the Group expects to benefit from selling the products developed. 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.

***Property, plant and equipment***

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Property plant and equipment is depreciated over its estimated useful economic life taking into account their residual value. The estimated useful economic life of these assets is:

| | |
|---|---|
| Plant and machinery | 4 years |
| Fixtures and fittings | 4 years |

**Share based payments**

The Group has issued share options to certain employees, in return for which the Group receives services from those employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

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 Company'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.

## 2. Significant accounting judgements and estimates

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

***Revenue recognition***
Some revenue is recognised based on the percentage of completion of the work involved as described above under the note on Revenue. The rest of the income recognised in the income statement is not subject to estimation or judgement.

***Period over which options will be exercised***
The estimate used for the calculation of the cost recognised in the income statement of awarding options to staff is the best estimate of the directors at the date of award as to the likely date when the options will be exercised.

***Economic useful lives of plant and equipment***
The period over which purchased assets are depreciated is based on the directors' estimate of their likely useful lives based on historic experience and anticipated changes in technology. The periods used are shown in note 1.

***Capitalisation 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 company to bring the product to market.

## 3. Financial instruments - Risk Management

The Company 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 liabilities**

A summary of financial liabilities can be found in note 14. All financial liabilities held by the Group at 31 December 2014 are classified as held at amortised cost.

| **Financial assets** | **2014 £'000** | **2013 £'000** |
|---|---|---|
| Current | | |
| Trade receivables | 240 | 292 |
| Other receivables | 70 | 41 |
| | 310 | 333 |
| Cash and cash equivalents - loans and receivables | 307 | 261 |
| Total loans and receivables | 573 | 553 |

All financial assets held by the Group at 31 December 2014 are classified as loans and receivables and there is no difference between the carrying amount and the fair value.

At 31 December 2014 the three largest customers owed a total of £96,000. The directors do not consider that there is any reason to provide against any part of this balance.

**Financial liabilities**

| | **2014 £'000** | **2013 £'000** |
|---|---|---|
| Trade payables | 214 | 109 |
| Other payables | 187 | 106 |
| | 403 | 215 |

All financial liabilities held by the Group at 31 December 2014 are classified as held at amortised cost.

***General objectives, policies and processes***

The Board has overall responsibility for the determination of the Company'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 quarterly reports from the Company Chief Financial Officer through which it 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 Company'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.

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 13.

**Cash at bank**

A significant amount of cash is held with the following institutions:

| | Balance at 31 December 2014 £'000 | Balance at 31 December 2013 £'000 |
|---|---|---|
| Barclays Bank Plc | 298 | 250 |
| Citibank | 9 | 11 |

On 8 January 2015 the Group obtained an overdraft facility with Barclays Bank for up to £50,000. This is available for immediate drawdown. It is secured over the assets of ATTRAQT Limited.

*Foreign exchange risk*

Foreign exchange risk arises when the Group enters 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 (primarily Sterling Pounds) with the cash generated from their own operations in that currency.

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

*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 seeks to mitigate short term liquidity risk by entering into a factoring arrangement on one of its trade receivables.

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:

| At 31 December 2013 | Up to 3 months £'000 | Between 3 and 12 months £'000 | Between 1 and 2 year £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|---|
| Trade and other payables | 301 | - | - | - | - |
| **Total** | 301 | - | - | - | - |

| At 31 December 2014 | Up to 3 months £'000 | Between 3 and 12 months £'000 | Between 1 and 2 year £'000 | Between 2 and 5 years £'000 | Over 5 years £'000 |
|---|---|---|---|---|---|
| Trade and other payables | 430 | 11 | - | - | - |
| **Total** | 430 | 11 | - | - | - |

## 4. Revenue

| Revenue arises from the rendering of services | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Recurring revenues | 1,922 | 1,476 |
| One-off fees | 164 | 105 |
| Total rendering | 2,086 | 1,581 |

Three customers each are responsible for more than 10% of the revenue of the Company. The total amount for all three is £918,000 which amounts to over 44% of the revenue of the Company. However the Directors are not concerned about continuance of these relationships.

## 5. Exceptional administrative expenses

Exceptional expenses of £484,000 in 2014 relate to the costs incurred in respect of the Company's admission to AIM in August 2014. (2013 – nil)

## 6. Loss per share

| *Numerator* | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Loss for the year and loss used in basic EPS | (1,414) | (460) |
| Loss used in diluted EPS | (1,414) | (460) |
| | | |
| *Denominator* | | |
| Weighted average number of shares used in basic EPS | 18,819,772 | 165,947 |
| Loss per share – basic and diluted | (8p) | (3p) |

In accordance with IAS 33 where there is a loss for the year, there is no dilutive effect and therefore there is no difference between the basic and diluted loss per share.

A share for share swap took place on 14 May 2014 at the rate of 100 new shares to every 1 old share. One share in ATTRAQT Limited was exchanged for 100 shares in ATTRAQT Group PLC.. The loss per share for the year to 31 December 2013 has been restated to reflect this share for share swap.

## 7. Annual Report and Accounts

The Group's annual report and accounts for the year ended 31 December 2014 will be published and made available to shareholders in due course.