14 February 2019

Attraqt Group plc

(“Attraqt”, the “Group” or the “Company”)

Full Year results

Breakeven reached at the adjusted EBITDA level

Attraqt Group plc (AIM: ATQT), a leading provider of online merchandising, onsite search and eCommerce personalisation, announces its final results for the twelve months ended 31 December 2018.

Financial Highlights:

- Revenue increased 26% to £17.1m (2017: £13.6m)
  - Like for like* revenue increased 10% to £17.1m (2017: £15.6m)
- Gross profit increased by 22% to £11.5m (2017: £9.4m)
  - Comparable** gross profit increased 16% to £11.5m (2017: £9.9m)
- Comparable** gross margin increased by 3% points to 67% (2017: 64%)
  - Comparable** SaaS gross margin increased by 2% points to 76% (2017: 74%)
  - Comparable** Services gross margin increased by 31% points to -3% (2017: -34%)
- Adjusted EBITDA breakeven; £0.03m (2017: loss of £0.2m)
- Losses before tax were £2.7m (2017: £4.1m losses)
- Basic EPS loss 2.6p per share (2017: 4.6p loss per share)
- Cash at period end of £0.5m (2017: £1.6m), over £1m on 31st Jan.

**2017 like for like figures include pre-acquisition Fredhopper contribution to make comparisons meaningful.*
***2017 comparable figures include pre-acquisition Fredhopper contribution and industry standard definitions to make comparisons meaningful.*

Operational highlights:

- Average contract value per logo up 14% to £97k (2017: £85k)
- Two-year renewal for the Group’s largest customer
- December 2018 Annual recurring revenue unchanged year on year at £16.0m
- New branding, website and target account sales process now in place
- Strategy review completed

Nick Habgood, Chairman, commented,

“2018 was an important year for Attraqt, as we continued to progress the work begun last year to drive the underlying operational effectiveness and performance of the business. Much progress has been made and we will follow on this path.

“Alongside these efforts, Luke has led a discovery process culminating in the launch of a refreshed vision, purpose, product offering and strategy. This strategy focuses on leveraging the Group’s strengths, as well as driving a client centric-approach, a culture of idea-sharing and innovation, and on building data into everything we do. We work in a dynamic industry, and in order to succeed Attraqt must continue strengthening its ability to address the future needs of ecommerce.

“Ultimately, we have a first-class client base, robust products, a growing market opportunity and a united team in place. Alongside our experienced Board, I am confident that the business is in strong and capable hands as we continue on our journey to become the recognised market leader in our field.”

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About Attraqt

Attraqt enables many of the world's leading online retailers to deliver highly relevant shopper experiences whilst also achieving their critical business goals. It achieves this through the provision of tried and tested cloud-based SaaS solutions, alongside expert services, all underpinned by its state-of-the-art technology.

The Group provides six core solutions which between them cater for the shopping experience up to point of purchase: Search, Navigation, Recommendations, Personalization, Merchandising and Internationalization.

Attraqt partners with great brands and specialist retailers across several sectors including fashion, footwear, homeware and health & beauty. The Group's regional strength is currently focused in the UK, Europe and ANZ. For more information, please visit: www.attraqt.com.

Chairman's Statement

As has been the case for a number of years, the retail market is undergoing a period of structural change, with an increasing proportion of purchases completed online, in many cases via mobile devices. Online has established itself as an important and growing channel which is attracting an increasing proportion of retailers' investments. Attraqt is very well positioned to support these retailers and the growth of their online businesses as they look to optimise the effectiveness of their online investment.

Attraqt's clients are some of the most innovative and sophisticated players in the market; looking to use technology to cultivate a differentiated, non-commoditised online approach to provide both the inspiration and convenience that the end customer is looking for; this enables them to achieve outstanding commercial results and protect their margins.

The period in review saw the appointment of Luke McKeever as Group CEO. The Board and I are very pleased to have Luke fully immersed in the business and working with our team, customers and partners to establish a clear path to realise Attraqt's full value and potential. Over the past few months Luke has undertaken a discovery process and following this evaluation we are very pleased to have set out a newly defined vision, purpose and strategy, which Luke will expand on further in his statement.

We have continued to progress the work we commenced last year to drive the underlying operational effectiveness and performance of the business. Much progress has been made and we will follow on this path. This operational excellence forms the platform which will allow us to focus our efforts on driving innovation and sales and marketing execution in 2019.

Ultimately, we have a first-class client base, robust products, a growing market opportunity and a united team in place. Alongside our experienced Board, I am confident that the business is in strong and capable hands as we continue on our journey to become the recognised market leader in our field. Throughout this financial year we have made great strides in integrating the two original businesses; moving beyond operational and logistical integration to the cultivation of a truly collaborative culture at Attraqt. 2019 will be a year in which we focus our efforts on driving product innovation and sales and marketing excellence. I would like to thank Luke, the senior management team and all our employees for their hard work and dedication in what has been an intensive and exciting period for the Company.

Nick Habgood
Chairman
13th February 2019

Chief Executive's Review

Having been in the business for nearly nine months now, it is clear that we have the foundations in place to enable us to achieve our vision: to become integral to the world's best shopping experiences. We have a great, aligned team, powerful technology, fantastic customers and unrivalled industry experience to drive our long-term success.

Having benefitted from teamwide research and customer, partner and industry input, we have developed a refreshed strategy with a clear series of actions that will drive our future growth. These actions include aligning our teams to ensure that we can support our customers along every aspect of their journey, new initiatives focused on driving idea-sharing and innovation, and building data into everything we do to provide new insights both internally and for customers. But this is only the start of the journey.

Alongside the discovery work and refinement of our strategy taken place over the period, the business has continued to deliver value to clients and begun to incrementally improve its operational delivery.

REVIEW OF SALES AND OPERATIONS

Attraqt grew revenues by 10% from £15.6m to £17.1m on a comparable basis, (annualised results of the Fredhipper acquisition) over the period, driven largely by the high levels of recurring revenues in the business with 96% net revenue retention during the year. Additionally £2.6m of Annual Recurring Revenue (ARR) from new bookings was signed by 31 December 2018. Pleasingly, reflecting our focus on prospective clients with ambition for differentiation and margin protection, our Average Contract Value also continued to increase, up 14% to £97k.

The Company continued to experience attrition levels similar to the prior period. Whilst initiatives to mitigate client attrition and to improve client on-boarding have been implemented and are taking effect, some of the client attrition has occurred due to external circumstances, including the challenges being faced by UK high-street retailers. We expect that attrition will continue to play a factor in the short term which, as a consequence, is likely to impact revenue growth rates in the current financial year, before accelerating in FY20 and beyond.

As an initial indicator of success of the Group's on-boarding improvements all customers signed in earlier periods, bar one, are now live and our data-led approach is resulting in new customers going live on plan. Alongside this, our Customer Success Management (CSM) and customer retention projects, initiated in 2018 have outperformed our expectations and we now have access to much better data to help us run the business with our customers at our core.

At the end of the period we began to implement our newly defined strategy, with two early achievements including the launch of our new sales-driven website and collateral as well as the re-positioning of both products sets under the single, "Fredhopper Discovery Platform" banner.

MARKET DEVELOPMENTS

The challenges facing high street retailers have been well documented, and in a time when margins are coming under increasing pressure, retailers must focus more than ever on the incremental gains they can achieve through a strong merchandising strategy, both in store and online. The rise of online shopping has been rapid in recent years, and it has never been more vital to stand out from the crowd, as consumers expect their online shopping experience to emulate or complement their bricks-and-mortar visits. Retailers are looking for new ways to drive conversion rates, increase customer loyalty, increase their flexibility and continually improve the customer experience.

Over the last few years, the differentiating factors in e-commerce success have changed with the evolution of Artificial Intelligence (AI) and Machine Learning (ML). AI and ML techniques are able to provide automation that is transforming how retailers manage their shopper experiences. As these techniques have become more accessible, more and more retailers are incorporating this into their business operations, and its use is growing amongst e-commerce software providers. Attraqt is differentiated from peers in that it not only provides its customers with capabilities in this arena, it also offers the ability to override automation with human logic and creativity, alongside the provision of world-class training, consultancy and optimization services. We have also begun to explore relationships with complementary technology vendors to drive even more value for our clients. This is significant as we look to align our technology and partnership strategy with major e-commerce trends in the market.

REFRESHED GROWTH STRATEGY

As mentioned previously, one of my main focuses in 2018 was to gain a deep understanding of Attraqt, and to use that knowledge to reconsider and refresh the strategy for the Group. Taking into account the market developments laid out above, as well as considering closely the needs of all of our stakeholders, it has driven the strategy outlined below. This strategy leverages the Group's strengths and leave us in a good position to address the future needs of e-commerce.

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.

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

PRODUCT DEVELOPMENT AND EXPANSION OF SERVICE OFFERING

Technology
Fredhopper (FHR) and Freestyle Merchandising (FSM) have now come together as two products under the Fredhopper Discovery Platform umbrella. The two products now share common capabilities including a data services platform and a reporting suite. They have a single roadmap, and the teams responsible for its development are organised around value-enhancing micro-services, in place of historical product sets. Common new feature innovation will continue to drive our convergence strategy over this next period.

The Fredhopper Discovery Platform is a robust, scalable and secure cloud-enabled technology. It is capable of seamlessly processing huge amounts of data, for example on Black Friday 2018 our platform supported several household name brands' major sales processes, delivering 6,373 queries per second whilst offering 99.999% uptime over a 24 hour period.

Clients deliver exceptional search and merchandising strategies via our Merchandising Studio and in line with our strategy the Group is also creating an improved data tracking and assessment capability into the platform to provide new insights and benefits both internally and for our customers going forwards.

Services
We believe that automated technology works best when combined with human ingenuity. This is because shoppers buy on the basis of a combination of logical consideration and emotional connection, so retailers must cater for both. Human Guided Automation is the way to deliver optimal performance, and it is only through blending state-of-the-art technology with merchandising creativity and inspiration that one can enable a shopping experience which provides clients with a competitive advantage. The team at Attraqt has experience working with some of the world's biggest and most forward-thinking online retailers and brands, and therefore has an exceptional breadth of merchandising knowledge it can provide to clients to help them achieve incremental gains. We now package these insights as ongoing, short advisory engagements to cement the value we provide via our technology solutions.

PEOPLE

One of Attraqt's key competitive advantages is its people. We have an experienced executive team at the helm, working alongside a very capable group of managers that are all passionate about our offering. Over the period we have sought to empower our teams with clear plans, new roles and training. We have also re-organised the structure of our executive teams around the customer journey, ensuring each team is putting the customer first. Attraqt's values centre around the idea that by being better together, pioneering and data-led, we will drive our shared success.

Once again, the hard work of our teams has underpinned the ongoing progress and their commitment to delivering against our vision and growth strategy is unwavering. We are very proud to have a team of this calibre and thank them for their continued hard work and drive.

OUTLOOK

The Board's focus is on putting the customer at the heart of every decision we take. In order to do this, we will build on our strong product set, with further product innovation a priority so that we can continue to deliver for our clients in an evolving retail environment. We will also drive the underlying operational effectiveness and performance of the business through greater utilisation of data and the successful implementation of our strategy. We have made significant steps in the right direction, but there is still work to be done and our teams are motivated to do it.

There remain significant opportunities for the Group to grow: both organically and through acquisition. We are well positioned to drive organic growth by growing average revenue per account through the addition of new targeted accounts, driving customer upsell and of course, innovation. Alongside this organic growth, we have the opportunity to replicate our successes in other key markets, with a number of global accounts providing reference-ability. And at the same, the Group continues to review M&A opportunities with the potential to provide innovative new capabilities to our customers.

Going into 2019 the business must tackle a number of challenges, including, the demise of certain brands over the period having impacted the Group's bookings for the year ahead, and the pervasive threat of e-commerce software re-platforming. However, we are confident that by executing on our strategy these challenges can be mitigated, and that the benefits of establishing a clear path forward will be felt in the mid to long term. We believe that we are now utilising the Group's teams, platforms and capabilities to their strengths and with a refined marketing and sales strategy, enhanced product offering, vision and purpose, I am confident that we are well positioned to take advantage of the markets where we have reference-ability and deliver value for all of our stakeholders over the long term.

Luke McKeever
Chief Executive
13 February 2019

CHIEF FINANCIAL OFFICER'S STATEMENT

Total revenue increased by 26% to £17.1m (2017: £13.6m) reflecting the full period impact of the Fredhopper acquisition completed in March 2017. If contribution from Fredhopper is included, on a like-for-like basis, Group revenue increased by 10% when compared to 2017.

On a similarly comparable basis (annualised results of the Fredhopper acquisition, which was unaudited), SaaS revenues increased by 8% to £15.2m (2017: £14.1m) and services revenue increased by 25% to £1.9m (2017: £1.5m). Two important KPIs for our business are the Annual Contract Value (ACV) because it is a good indicator of future revenues and the Net Retention Rate because it indicates how well we are serving our existing clients. The ACV at the end of 2018 was £16.0m (2017: £16.0m) and the NRR was 96%.

Gross margin increased by 22% to £11.5m (2017: £9.4m). On the same comparable basis (annualised results of the Fredhopper acquisition, which was unaudited), gross profit increased by 16% to £11.5m (2017: £9.9m), a gross margin of 67%. The comparable SaaS gross margin (annualised results of the Fredhopper acquisition, which was unaudited) increased by 2% points to 76% (2017: 74%) and the services gross margin (annualised results of the Fredhopper acquisition, which was unaudited) increased by 31 points to -3% (2017: -34%) as legacy projects were completed. Management expects that the services business will begin operating on a profitable basis in the current financial year.

Comparable operating expenses (annualised results of the Fredhopper acquisition, which was unaudited) increased by 14% to £11.5m (2017: £10.1m) reflecting the hiring of 11 heads including a Customer Success team.

Adjusted EBITDA (pre-exceptional)1 £0.03m (2017: £0.2m loss) were in line with management expectations.
As per definition in KPI’s

The exceptional costs of £0.6m in the period relate mainly to the change in CEO.

Depreciation and amortisation totalled £1.6m (2017: £1.3m) and increased due to the full period charge for the amortisation of intangibles that were created on the Fredhopper acquisition. There was a share-based payment charge of £0.4m (2017: £0.2m).

Loss before tax was £2.7m (2017: £4.1m loss), with the tax charge in the period £0.1m (2017: £0.0m). Therefore, loss for the year was £2.8m (2017: £4.1m loss).

The cash balance at the end of the period was £0.5m, which was a reduction of £1.1m during the year. The reduction was driven by exceptional costs of £0.6m and £0.3m net tax paid, due to payments being made for two years in Fredhopper BV – neither of these items are expected to recur in 2019. December is traditionally a low point in the working capital cycle as a result of cyclically low invoicing in October and November. By the end of January, the cash balance had increased to £1.1m. In addition, the company is looking to put in place a bank facility of at least £1m by the end of the first quarter.

Eric Dodd
Chief Financial Officer

Consolidated Income Statement
For the year ended 31 December 2018

	Note	2018	2017
		£’000	£’000
Revenue	4	**17,144**	13,615
Cost of Sales	4	**(5,614)**	(4,169)
Gross profit		**11,530**	9,446
Administration expenses		**(13,680)**	(11,116)
Exceptional administrative expense	5	**(563)**	(2,382)
Total administrative expenses		**(14,243)**	(13,498)

Loss from operations	6	**(2,713)**	(4,052)
Loss before tax		**(2,713)**	(4,052)
Taxation charge	8	**(49)**	(18)
Loss for the year		**(2,762)**	(4,070)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	**2018**	2017
		£'000	£'000
(Loss) for the year		**(2,762)**	(4,070)
Foreign exchange translation differences		**(8)**	(239)
Total comprehensive (loss) for the year, attributable to shareholders of the parent		**(2,770)**	(4,309)
Loss per share attributable to the ordinary equity holders of the company			
Basic and diluted EPS	9	**(2.6p)**	(4.4p)

Consolidated Statement of Financial Position

For the year ended 31 December 2018

	Notes	**2018**	2017
		£'000	£'000
Non-current assets			
Intangible assets	11	**25,432**	26,256
Plant and equipment	10	**168**	157
Total non-current assets		**25,600**	26,413
Current assets			
Trade and other receivables	13	**4,936**	4,543
Cash and cash equivalents	14	**509**	1,636
Corporation tax recoverable		**-**	9
Total current assets		**5,445**	6,188
Total assets		**31,045**	32,601
Current Liabilities			
Trade and other payables	17	**8,186**	7,223
Corporation tax		**24**	-
Total current liabilities		**8,210**	7,223
Non-current liabilities			
Deferred tax liability	8	**1,254**	1,462
Total non-current liabilities		**1,254**	1,462
Net Assets		**21,581**	23,916
Equity			
Issued capital	15	**1,063**	1,063
Share premium	15	**30,108**	30,108
Merger reserve		**1,457**	1,457
Share based payment	16	**1,238**	803
Forex reserve		**(265)**	(257)
Retained earnings		**(12,020)**	(9,258)
Total equity attributable to equity holders of the parent		**21,581**	23,916

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital	Share premium	Merger reserve	Share based payment reserve	Foreign exchange reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	**269**	**4,253**	**1,457**	**647**	**(18)**	**(5,188)**	**1,420**
Loss for the year	-	-	-	-	-	(4,070)	**(4,070)**
Foreign currency translation differences	-	-	-	-	(239)	-	**(239)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(239)**	**(4,070)**	**(4,309)**
Contributions by and distributions to owners							
Share based payment charge	-	-	-	156	-	-	156
Shares issued	794	27,005	-	-	-	-	27,799
Issue costs	-	(1,150)	-	-	-	-	(1,150)
Total contributions by and distributions to owners	**794**	**25,855**	**-**	**156**	**-**	**-**	**26,805**
Balance at 31 December 2017	**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**

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Notes	**2018**	2017
		£'000	£'000
Cash flows from operating activities			
Loss for the year		**(2,762)**	(4,070)
Adjustments for:			
Depreciation of property, plant and equipment	10	**62**	51
Amortisation of intangible fixed assets	11	**1,586**	1,227
Loss on disposals	10	**-**	10
Income tax charge	8	**49**	18
Share based payment expense	16	**435**	156
Foreign exchange differences		**104**	33
		(526)	(2,575)
Increase in trade and other receivables		**(384)**	(1,486)
Increase in trade and other payables		**893**	1,183
Cash used from operating activities before interest and tax		**(17)**	(2,878)
Taxation (paid)/received		**(278)**	8
Net cash used from operating activities		**(295)**	(2,870)
Cash flows used in investing activities			
Acquisition of subsidiaries		**-**	(22,536)
Purchases of Property, plant and equipment	16	**(70)**	(137)
Development of intangibles	11	**(696)**	(672)

Net cash used in investing activities		**(766)**	(23,345)
Cash flows from financing activities			
Issue of ordinary shares, net of issue costs		**-**	26,649
Net cash (used) / generated from investing and financing activities		**(766)**	3,304
Net (decrease) / increase in cash and cash equivalents		**(1,061)**	434
Cash and cash equivalents at beginning of year		**1,636**	1,157
Effect of foreign currency exchange rate changes		**(66)**	45
Cash and cash equivalents at end of year	14	**509**	1,636

Notes to the Financial Statements

For the year ended 31 December 2018

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 2018 were authorised for issue by the Board of Directors of the Company on 13 February 2019.

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 3 Waterhouse Square, 138 Holborn, London, EC1N 2SW.

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

The Group's accounting policy for revenue is in line with IFRS 15, information regarding the considerations upon adoption are disclosed in the new standards applied in the period section.

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. As a result of IFRS 15 the following revenue streams have been determined:

<u>SaaS license fee</u>: In the case of SaaS Licence Fee only contracts, revenue would be 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.

<u>Implementation fee</u>: These contracts have defined performance obligations set out, and upon satisfaction of the performance obligation, i.e. hand over of the intellectual property, revenue will be recognised. However, if granting the licence qualifies for recognition over time then on that basis it provides access to the IP at any given time throughout the licence period, the transaction price is recognised over the related licence period. If there is no defined performance obligation set out in the contract, the revenue would be recognised at the end of the implementation phase when control would be deemed to have transferred.

<u>On-going services</u>: Revenue in relation to Technical Consulting/Business consulting contracts that 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.

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.

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 are recognised on business combinations
Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation technique.

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	Valuation Method
Customer Relationships	11 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	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	Relief from Royalty Method - the value of intangible assets are estimated by capitalising the royalties saved because the company owns the intangible asset.

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	**4 years**
Fixtures, fittings and equipment	**4 years**

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangements at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leasing arrangements which transfer to the Group substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is the shorter.

The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income statement in proportion to the capital element outstanding.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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

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.

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
The Group has implemented IFRS 9, which has resulted in the following accounting policy changes, there has been no impact on the classification of Financial Instruments it is purely a change in terminology.

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.

<u>Classification of financial instruments</u>
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)

<u>Business model assessment</u>
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.

<u>Impairment of financial assets measured at amortised cost</u>
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.

<u>Write-off policy</u>
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.

<u>Subsequent measurement of financial instruments</u>
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, Attraqt Limited estimates 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 2018, but either they were not applicable to or did not have a material impact on the Group:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from contracts with customers*
- Interpretation 22 *Foreign Currency transactions and advance consideration*

The Group's assessment of the impact of applying IFRS 9 and IFRS 15 are discussed below.

IFRS 15 Revenue from Contracts with customers

IFRS 15 replaces *IAS 18 Revenue* effective 1 January 2018, the EU has approved the standard. IFRS 15 provides a five step revenue recognition model:

- Identify the contract
- Identify separate performance obligations
- Determine the transaction price
- Allocate the transaction price to separate performance obligations
- Recognise revenue when the performance obligation is satisfied

Attraqt Group has three contract types; SaaS licence revenue, Implementation fees and on-going services revenue, which form two revenue streams; SaaS revenue and Services revenue. The contract types can be on a standalone contract where a single performance obligation (step 2) can easily be identified, or a contract can have both SaaS license and services which would include more than one stream within the contract resulting in more than one distinct performance obligations.

Once the performance obligation(s) is established and the transaction price is allocated, revenue is recognised when (or as) goods or services are transferred to a customer, this being represented by transfer of control. Control in the context of IFRS 15 is the ability to direct the use of, and obtain substantially all of the remaining benefits from, an asset. Indicators of such include:

- A present obligation to pay
- Physical possession of the assets
- Legal title
- Risks and rewards ownership
- Acceptance of the asset(s)

A vendor satisfies a performance obligation and recognises revenue over time when one or more of the following three criteria is met:

- The customer simultaneously receives and consumes economy benefits provided by the vendor's performance
- The vendor creates or enhances an asset controlled by the customer
- The vendor's performance does not create an asset for which the vendor has an alternative use and the vendor has an enforceable right to payment for performance completed to date.

It is important to note that the recognition of revenue on an over time percentage of completion basis does not necessarily require that revenue be recognised evenly over the licence period. The principle is that revenue should be recognised to depict satisfaction of the performance obligation. This can however, lead to a mismatch between cost and revenue, as IFRS 15 requires that costs incurred in fulfilling a contract are expensed unless certain criteria are met or the treatment of them is mandated by another accounting standard (such as inventory or intangible assets). Costs to fulfil a contract are expensed, which are in relation to commissions which are prepaid that until after the start of the license agreement post development stage.

Attraqt Group has adopted IFRS 15 using the full retrospective method, there was no adjustment required to either period presented on transition. Practical expedients used were as follows:

- Attraqt has not disclosed the allocation of the transaction price to the remaining performance obligations to either reporting period or disclosed when the revenue is expected to be recognised; and
- Contracts that started and ended within the same reporting period have not been restated

IFRS 9 Financial Instruments

IFRS 9 replaces *IAS 39 Financial Instruments: Recognition and Measurement* bringing all three aspects of the accounting together for financial instruments: classification and measurements; impairment; and hedge accounting. The only change that impacts the Attraqt Group is the change in calculation of the expected credit loss allowance and considerations are discussed below.

Impairment

The adoption of IFRS 9 Financial Instruments from 1 January 2018, resulted in a change of accounting policy however there were no adjustments required through opening retained earnings.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The Group has concluded that the expected loss rates for trade receivables, are a reasonable approximation of the loss rates for each ageing category and customer based on historical debt trends for the last 2 years.

The loss allowance as at 1 January 2018 was determined as follows for trade receivables:

	2018	2017
	£'000	£'000
As at 1 January	**112**	174
Provision for expected credit losses	**-**	-
Written off	**(41)**	(62)
Released	**(40)**	-
As at 31 December	**31**	112

There was no material difference in applying IFRS 9 from the effective date.

Directors have applied the simplified approach to recognise lifetime ECLs for the Group's trade receivables. This has not resulted in a increase to the impairment provision upon adoption of IFRS9. The majority of the invoices are raised in advance and are subsequently paid within credit terms agreed and going forward greater judgement is required to factor in forward looking information when estimating the appropriate amount of provision. In applying IFRS 9 the Group must consider the probability of default occurring over the contractual life of its trade receivables.

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*
Annual Improvements 2015–2017 Cycle	**1 January 2019†**
IFRS 16 Leases	**1 January 2019**
Amendments to References to the Conceptual Framework in IFRS Standards	**1 January 2020†**
Amendments to IFRS 3: Business combinations	**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, except for IFRS 16 Leases.

IFRS 16 Leases
Adoption of IFRS 16 will result in the group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.
The group is not advanced in its implementation of IFRS 16, and therefore, will only recognise leases on balance sheet as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 December 2018 operating lease commitments amounted to £538,000. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right -of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost.

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

- **Exceptional items**

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as exceptional and other material items. Deciding which items meet the respective definitions requires the Group to exercise its judgement. Details of these items categorised as exceptional items are outlined in note 5.

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 Company relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in note 11. As can be deduced from this description, changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

- **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 11).

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.

- **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.

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.

	2018	2017
	£'000	£'000
Revenue by type		
SaaS	**15,241**	12,307
Services	**1,903**	1,308
Total Revenue	**17,144**	13,615
Cost of Sales by type		
SaaS	**3,660**	3,441
Services	**1,954**	728
Total Cost of Sales	**5,614**	4,169
Gross profit	**11,530**	9,446

There is one customer which contributes more that 10% which is £2.4m of the Groups revenues (2017: 1 customer – contributing £1.9m).

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

	2018	2017
	£'000	£'000
Geographical split of revenue		
UK	**9,840**	8,702
Europe	**6,317**	4,093
Rest of the World	**987**	820
Total Revenue	**17,144**	13,615

Management have altered the analysis of geographical split of revenue to bring this in line with internal reporting, in the prior year the Group reported revenue on geographical location of the relevant statutory billing entity, the prior year has been restated .

5. EXCEPTIONAL ITEMS

During 2018, total exceptional costs incurred £563,000 (2017: £2,382,000) of which £448,000 relates to the change in CEO. The exceptional costs for 2017 consist of £1,655,000 relating to the legal and professional advisor's fees in respect of acquisition costs and £440,000 of post-acquisition integration activities.

6. LOSS FROM OPERATIONS

	2018	2017
	£'000	£'000
Loss from operations is taken after taking account of the following items:		
Staff costs (see note 7)	**9,905**	6,630
Depreciation of property, plant and equipment (see note 10)	**62**	51
Amortisation of intangible assets (see note 11)	**1,586**	1,227
Loss on Disposal of fixed assets (see note 10)	**-**	10
Operating lease expense	**716**	638
Research and Development costs	**762**	777
Foreign exchange loss	**104**	33
Audit and non-audit services:		
Fees payable to the company's auditors for the audit of the Group annual accounts:		
Group annual accounts	**112**	150
Fees payable to the company's auditor and its associates for other services:		
Tax services	**22**	15
Other services	**12**	295

7. STAFF COSTS

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

(No.)	2018	2017
Sales	**16**	16
Technical	**82**	78
Management (including directors)	**11**	13
Administration	**24**	15
	133	122

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

(No.)	2018	2017
Sales	**16**	16
Technical	**82**	78
Management (including directors)	**8**	10
Administration	**24**	15
	130	119

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Staff costs (including directors) comprise:		
Wages and salaries	**8,096**	5,629
Social security contributions and similar taxes	**1,119**	736
Pension	**255**	109
Share Based Payment	**435**	156
	9,905	6,630

Pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2018 were £30,000 (2017: £22,000).

8. TAXATION

	2018	2017
	£'000	£'000
Current income tax		
Current tax on loss for the year	**290**	215
Deferred Tax for the year	**(241)**	(197)
	49	18

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:

	2018	2017
	£'000	£'000
Loss for the year	**(2,713)**	(4,052)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2017 – 19.25%)	**(515)**	(780)
Expenses not deductible for tax purposes	**261**	537
Prior year adjustment	**(16)**	-
Fixed asset differences	**37**	(53)
Unrelieved losses arising in the period	**503**	639
Additional deduction for R&D expenditure	**(87)**	(109)
Surrender of tax losses for R&D tax credit refund	**36**	48
Utilisation of prior year losses	**-**	(133)
Adjustment for different rates of corporation taxation in overseas jurisdictions	**71**	66
Total tax charge	**290**	215

At 31 December 2018, tax losses estimated at £5.3m (2017: £4.1m) 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.

DEFERRED TAX

	£'000
At 1 January 2017	-
Acquired through business combinations	1,879
Recognised in profit or loss	(197)
At 31 December 2017	1,682
FX movement	**16**
Recognised in profit or loss	**(222)**
At 31 December 2018	**1,476**

Categorised as:	2018	2017
	£'000	£'000
Current	**222**	220
Non-current	**1,254**	1,462

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

	2018	2017
	£'000	£'000
Numerator		
Loss for the year and loss used in basic and diluted EPS	**(2,762)**	(4,070)
Denominator		
Weighted average number of shares used in basic and diluted EPS	**106,368,589**	92,006,582
Loss per share – basic and diluted	**(2.6p)**	(4.4p)

10. PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery	**Fixtures and Fittings**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2017	230	4	234
Additions	137	-	137
Acquired through business combinations	42	-	42
Disposals	(10)	-	(10)
At 31 December 2017	399	4	403
Additions	**70**	**-**	**70**
Disposals	**(207)**	**(2)**	**(209)**
At 31 December 2018	**262**	**2**	**264**
Depreciation			
At 1 January 2017	193	2	195
Charge for the year	51	-	51
At 31 December 2017	244	2	246
Charge for the year	**62**	**-**	**62**
Foreign exchange	**(4)**	**-**	**(4)**
Disposals	**(207)**	**(1)**	**(208)**
At 31 December 2018	**95**	**1**	**96**
Net Book Value			
At 1 January 2017	37	2	39
At 31 December 2017	155	2	157
At 31 December 2018	**167**	**1**	**168**

11. INTANGIBLE ASSETS

	Goodwill £'000	Customer Relationships £'000	Existing Technology £'000	Trademark £'000	Software Development £'000	Total £'000
Cost						
At 1 January 2017	-	-	-	-	1,249	1,249
Additions - internally developed	-	-	-	-	672	672
Acquired through business combinations	16,582	4,414	4,805	788	-	26,589
Foreign Exchange	-	(20)	(2)	-	-	(22)
At 31 December 2017	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**
Amortisation						
At 1 January 2017	-	-	-	-	1,002	1,002
Charge for the period	-	421	559	64	183	1,227
Foreign Exchange		3	-	-	-	3
At 31 December 2017	-	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**
Net Book Value						
At 1 January 2017	-	-	-	-	247	247
At 31 December 2017	16,582	3,970	4,244	724	736	26,256
At 31 December 2018	**16,585**	**3,707**	**3,559**	**645**	**936**	**25,432**

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 (pre-tax) discount rate used to measure the CGU's value in use was 20.9%.

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

	2018	2017
	£'000	£'000
Attraqt Group plc	**16,585**	16,582

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:

	2018	2017
Discount rate	**20.9%**	20.9%
Revenue growth rate	**12%**	18%
Budgeted EBITDA margin (average of next 5 years)	**11%**	21%
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 in 2019 with investment in the Sales function and will then grow on average at 8% over the next three years.
- The estimated recoverable amount of the CGU exceeds its carrying amount.

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

In percent	**2018**	2017
Discount rate	**26.7**	28.3
Revenue growth rate	**(5.0)**	8.5

12. SUBSIDIARY UNDERTAKINGS

As at 31 December 2018, 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	3 Waterhouse Square, 138 Holborn, London, EC1N 2SW
Attraqt Inc. [1]	100%	USA	125 S Clark Street, Chicago, IL, 60603, USA
Fredhopper BV	100%	Netherlands	Wework Metropool, Weesperstraat, 61-105 Amsterdam 1018VN
Fredhopper Limited[2]	100%	UK	3 Waterhouse Square, 138 Holborn, London, EC1N 2SW
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

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Trade receivables	**4,131**	4,014
Less: expected credit losses	**(31)**	(112)
Trade receivables – net	**4,100**	3,902
Prepayments and accrued income	**687**	515
Other receivables	**149**	126
Total trade and other receivables	**4,936**	4,543

Trade receivables comprise amounts due from customers for goods sold or services performed in the ordinary course of business. Invoices to customers are settled within 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 where applicable.

Financial Assets held at amortised cost

	2018	2017
	£'000	£'000
As at 1 January	**112**	174
Write off	**(41)**	(62)
Released	**(40)**	-
As at 31 December	**31**	112

14. CASH AND CASH EQUIVALENTS

	2018	2017
	£'000	£'000
Cash at bank	**509**	1,636

15. SHARE CAPITAL AND RESERVES

Allocated, called up and fully paid

	2018	**2018**	**2018**	2017	2017	2017
		£'000	**£'000**		£'000	£'000
	Number Shares	**ofShare capital**	**Share Premium**	Number Shares	ofShare capital	Share Premium
Ordinary shares of £0.01 each						
At 1 January	**106,368,589**	**1,063**	**30,108**	26,942,340	269	4,253
Shares issued for cash during the year	**-**	**-**	**-**	79,426,249	794	25,855
At 31 December	**106,368,589**	**1,063**	**30,108**	106,368,589	1,063	30,108

In 2017, the Company raised £27,799,000, before expenses, by a private placing of 78,572,000 1p Ordinary shares at 35p, and a further 854,249 1p Ordinary shares by an open offer to qualifying shareholders at 35p on 8 March 2017.

16. 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:

	2018 WAEP		2017 WAEP	
	Number	**Price (pence)**	Number	Price (pence)
Outstanding at the beginning of the year	**6,794,897**	**36.97**	2,702,569	40.86
Granted during the year	**4,254,743**	**32.00**	4,254,740	35.00
Forfeited during the year	**(618,524)**	**43.15**	(162,412)	50.00
Outstanding at the end of the year	**10,431,116**	**34.80**	6,794,897	36.97
Exercisable at the year end	**2,361,472**	**39.54**	1,341,680	31.59

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

			2018		2017	
			Share options	**Remaining life**	Share options	Remaining life
Date of Grant	**Expiry Date**	**Exercise Price (p)**	**(Number)**	**(Years)**	(Number)	(Years)
24-Jul-13	24-Jul-23	31.59	**986,500**	**5**	986,500	6
29-May-14	29-May-24	31.59	**177,590**	**6**	177,590	7
19-Aug-14	19-Aug-24	31.59	**177,590**	**6**	177,590	7
25-Sep-15	25-Sep-25	50.00	**1,019,792**	**7**	1,198,477	8
15-Dec-17	15-Dec-27	35.00	**3,722,898**	**9**	4,254,740	10
25-May-18	25-May-28	31.50	**3,191,058**	**10**	-	-
06-Aug-18	06-Aug-28	33.50	**1,063,685**	**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	06-Aug-18	22-May-18	15-Dec-17
Option pricing model	Black Scholes	Black Scholes	Black Scholes
Number of shares	1,063,685	3,191,058	4,254,740
Fair Value per share at grant date	15.1p	17.5p	14.1p
Share price on grant date	33.5p	36.0p	33.5p
Exercise price (£)	33.5p	31.5p	35.0p
Weighted average contractual life	3 years	3 years	3 years
Staff retention rate	-	-	95%
Risk-free interest rate	0.810%	0.611%	0.516%
Volatility	68%	68%	65%
Total Fair Value (£)	160,648	558,627	566,739

The total expense recognised during the year by the Group, for all schemes, was £435,000 (2017: £156,000). The weighted average remaining life of the options outstanding at the end of the year was 8.4 years (2017: 7.8 years). No options were exercised during the year.

17. TRADE AND OTHER PAYABLES

	2018	2017
	£'000	£'000
Trade payables	775	399
Accrued and other payables	649	557
Other taxes	490	289
Deferred tax	222	283
Deferred income	5,196	4,848
Employee benefits and taxes	854	847
Total Trade and other payables	**8,186**	7,223

18. COMMITMENTS

The total future value of minimum lease payments is due as follows:

	2018	2017
	£'000	£'000
Not later than one year	418	479
Later than one year and not later than five years	120	-
Later than five years	-	-
	538	479

19. 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	**2018**	2017
Current	**£'000**	£'000
Trade receivables	**4,100**	3,902
Other receivables	**149**	235
	4,249	4,137
Cash and cash equivalents	**509**	1,636

All financial assets held by the Group at 31 December 2018 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	**2018**	2017
Current	**£'000**	£'000
Trade payables	**775**	399
Other payables	**649**	557
	1,424	956

All financial liabilities held by the Group at 31 December 2018 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.

If credit risk has increased since initial recognition, then the loss allowance would be adjusted for the expected credit loss over the lifetime. If there are significant changes in economic or other conditions, the expected loss rates would be adjusted for the forecast of present and future economic situations.

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.

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 is managed by selling and buying Euro's and US dollars as and when required by the Group throughout the year. Foreign currencies are not hedged.

Translation risk
Changes in exchange rates also affect the Group's income in connection with the translation of income statements of foreign subsidiaries into GBP. Attraqt Group does not hedge this exposure.

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:

2018 £'000	**Up to 3 months**	**3 – 12 months**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
Trade and other payables	**1,424**	**-**	**-**	**-**	**-**
	1,424	**-**	**-**	**-**	**-**

2017 £'000	**Up to 3 months**	**3 – 12 months**	**1 – 2 years**	**2 – 5 years**	**Over 5 years**
Trade and other payables	**930**	**26**	**-**	**-**	**-**
	930	**26**	**-**	**-**	**-**

20. RELATED PARTY TRANSACTIONS

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

	Purchase of services		Amounts owed to related parties	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Azini Capital Partners[1]	**103**	40	**-**	-
Azini Capital Partners[2]	**29**	8	**-**	-
Azini Capital Partners[3]	**-**	75	**-**	-
Director's spouse[4]	**-**	8	**-**	-
Taylor Wessing[5]	**40**	40	**12**	-
Taylor Wessing[6]	**55**	462	**12**	-

1. Azini Capital Partners – Nick Habgood is a partner in Azini Capital Partners, and his Directors fees were paid to Azini Capital.
2. Azini Capital Partners – Nick Habgood's daughter is employed by the Group and was paid a salary as an Account Manager.
3. Azini Capital Partners – Nick Habgood was paid a fee for his contribution during the Fredhopper transaction.
4. Andre Brown's spouse was paid a salary as Event Co-ordinator, but left the company in June 2017.
5. Robert Fenner is a partner in Taylor Wessing LLP, and his Directors fees were paid to Taylor Wessing LLP.
6. 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 Fredhopper BV.

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.

	2018	2017
	£'000	£'000
Salary, Director fees, bonus and benefits in kind	**828**	819
Share based payments	**257**	4
	1,085	823

The Employer's National Insurance contributions expensed in the period relevant to the Key management personnel compensation was £88,000 (2017: £86,000).

21. 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 2018.

Company Statement of Financial Position
For the year ended 31 December 2018

	Notes	2018	2017
		£'000	£'000
Non-current assets			
Investments	2	**24,405**	23,970
Total non-current assets		**24,405**	23,970
Current assets			
Trade and other receivables	3	**4,660**	4,978
Total current assets		**4,660**	4,978
Total assets		**29,065**	28,948
Current Liabilities			
Trade and other payables	4	**126**	100
Total current liabilities		**126**	100
Net Assets		**28,939**	28,848
Equity			
Share capital	5	**1,064**	1,064
Share premium	5	**30,108**	30,108
Share based payment	6	**1,238**	803
Retained earnings		**(3,471)**	(3,127)
Total equity		**28,939**	28,848

The information contained this preliminary results announcement has been prepared on the basis of the accounting policies which have been set out in the Group's financial statements for the year ended 31 December 2018 and do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The financial statements for the year ended 31 December 2017 which were prepared in accordance with International Financial reporting Standards (IFRS) as adopted by the EU have been reporting on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not draw attention to any matters by what of emphasis and did not contact statements under Section 498 (2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2018 have been finalised on the basis of the financial information presented by the directors in this preliminary announcement. The auditors have issued an unmodified opinion in respect of the year ended 31 December 2018.

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 £344,000 (2017: loss £2,330,000).

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

Eric Dodd
Director
Date: 13 February 2019

Company Statement of Changes in Equity
For the year ended 31 December 2018

	Share Capital	Share premium	Share based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	**269**	**4,253**	**647**	**(797)**	**4,372**
Loss for the year	-	-	-	(2,330)	**(2,330)**

Total comprehensive loss for the year	**-**	**-**	**-**	**(2,330)**	**(2,330)**
Contributions by and distributions to owners					
Share based payment charge	-	-	156	-	156
Shares issued	795	27,005	-	-	27,800
Issue costs	-	(1,150)	-	-	(1,150)
Total contributions by and distributions to owners	**795**	**25,855**	**156**	**-**	**26,805**
Balance at 31 December 2017	**1,064**	**30,108**	**803**	**(3,127)**	**28,848**
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**

Notes to the Company Financial Statements
For the year ended 31 December 2018

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.

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
The Company has implemented IFRS 9, which has resulted in the following accounting policy changes, there has been no impact on the classification of Financial Instruments it is purely a change in terminology.

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 Company assess all other current receivables on a forward looking basis, with expected credit losses associated with debt instruments measured at amortised cost. These are deemed short term (i.e., less than 12 months) and apply the Group policy for credit rating and risk management policies in place.

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 impairment methodology applied for the Company is stage 1, which require 12 month expected credit losses to be recognised until a change in credit risk occurs in which case stage 2 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.

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;
- 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.

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.

- **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.

2. INVESTMENTS

	2018	2017
	£'000	£'000
As at 1 January	**23,970**	808
Additions	**435**	23,162
As at 31 December	**24,405**	23,970

On 8 March 2017, the Company acquired 100% of the issued equity instruments of Fredhopper BV from SDL Netherlands BV a subsidiary of SDL plc. Initial investment was £23,005,000.

As at 31 December 2018, 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	3 Waterhouse Square, 138 Holborn, London, EC1N 2SW
Attraqt Inc. [1]	100%	USA	125 S Clark Street, Chicago, IL, 60603, USA
Fredhopper BV	100%	Netherlands	Wework Metropool, Weesperstraat, 61-105 Amsterdam 1018VN
Fredhopper Limited[2]	100%	UK	3 Waterhouse Square, 138 Holborn, London, EC1N 2SW
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. OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	**4,530**	4,915
Prepayments	**24**	47
Other receivables	**106**	15
	4,660	4,977

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

4. TRADE AND OTHER PAYABLES

	2018	2017
	£'000	£'000
Trade payables	**30**	39
Other payables	**96**	61
	126	100

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

	2018	**2018**	**2018**	2017	2017	2017
		£'000	**£'000**		£'000	£'000
	Number Shares	**ofShare capital**	**Share Premium**	Number Shares	ofShare capital	Share Premium
Ordinary shares of £0.01 each						
At 1 January	**106,368,589**	**1,064**	**30,108**	26,942,340	269	4,253
Shares issued for cash during the year	**-**	**-**	**-**	79,426,249	795	25,855
At 31 December	**106,368,589**	**1,064**	**30,108**	106,368,589	1,064	30,108

In 2017, the Company raised £27,799,000, before expenses, by a private placing of 78,572,000 1p Ordinary shares at 35p, and a further 854,249 1p Ordinary shares by an open offer to qualifying shareholders at 35p on 8 March 2017.

6. SHARE BASED PAYMENTS

For details of the share based payments please refer to the Group note 16.

7. FINANCIAL INSTRUMENTS

	2018	2017
	£'000	£'000
Current		
Other receivables	**4,530**	4,915
Total loans and receivables	**4,530**	4,915
Other payables	**126**	100
Total trade and other payables	**126**	100

8. EMPLOYEES

The company had no employees during the period (2017: none).