8th March 2018

ATTRAQT Group plc
("ATTRAQT")

Full Year Results

ATTRAQT Group plc (AIM: ATQT), a leading provider of eCommerce acceleration solutions for online retailers, announces its final results for the twelve months ended 31st December 2017.

Following the completion of the Fredhopper acquisition on 8th March 2017:

Financial Highlights

- Revenue increased by 278% to £13.6m (2016: £3.6m) reflecting the acquisition of Fredhopper, the addition of new clients, and service upgrades and renewals from existing clients.
- Gross profit increased by 203% to £9.4m (2016: £3.1m).
- Gross margin decreased to 69% (2016: 86%), due to the mix with Fredhopper's lower historic gross margin of 59%.
- Adjusted EBITDA (pre-exceptional) losses were £0.2m (2016: £1.6m), in line with management expectations. The business traded on an adjusted EBITDA (pre-exceptional) positive basis in the second half of the year.
- Cash at period end was £1.6m (FY2016: £1.2m). As of 28th February 2018 ATTRAQT had £2.0m cash as the normal working capital movements unwound following year end.

Operational Highlights

- Continued sales momentum with 22 new logos signed.
  - Including Arc'teryx, Beauty Bay, Hunter Boots and The White Company.
- Average SaaS revenue per logo increased to £62k (2016: £41k), as ATTRAQT's solutions are taken up by larger, enterprise-grade clients.

Nick Habgood, Interim Executive Chairman of ATTRAQT Group plc, commented,

"It has been a milestone year for ATTRAQT, with the acquisition and successful integration of Fredhopper adding a significant level of scale and capability to the business, leading us to several noteworthy new contract wins over the period. We believe that our product offerings are best of breed, and that our customers and prospects will continue to see the value in choosing ATTRAQT.

"The period ahead will be focused on driving the underlying operational effectiveness and performance of the business. The key to success for 2018 will be continued new client wins, and further upsell to current customers whilst minimising attrition. We have put in place the tools to enable this strategy and look forward to delivering on it in the period ahead."

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About ATTRAQT

ATTRAQT provides cloud-based SaaS solutions that maximize the conversion of shoppers into buyers via onsite search, online merchandising and eCommerce personalization for online retailers. ATTRAQT's customer base is predominantly enterprise to mid-size clients, with clients in the UK, Europe, North America and ANZ. For more information, please visit: www.attraqt.com.

INTERIM EXECUTIVE CHAIRMAN'S STATEMENT

In what has been a milestone year, ATTRAQT's vision and strategy remains the same, to become the eCommerce acceleration platform of choice for online retailers across the globe. We continue to service an enviable client list, providing support for a range of leading online retailers and household names including ASOS, House of Fraser and The North Face.

DRIVING BEST OF BREED ACROSS ATTRAQT

The acquisition of Fredhopper has been a great success and the team has worked hard to ensure that both the integration, and the period following, have gone smoothly with no disruption to customers. I would like to thank the team for their support during this period.

The technologies and competences of the two solutions are extremely complementary, and we have an opportunity to benefit further from the wider capabilities of these. As such, we have begun to converge some of the underlying technology, for example enhancing the Fredhopper reporting capability by utilising existing Freestyle Merchandising functionality and improving the Freestyle Merchandising data importing by employing the Fredhopper data services platform.

We also have initiatives to leverage best practice in terms of purchasing, operational management and client on-boarding across ATTRAQT.

MANAGEMENT CHANGE

Post period end, André Brown stepped down as Chief Executive Officer and I assumed the role of Interim Executive Chairman. André was an original founder of the business and led ATTRAQT for the past 15 years. The Board would like to take this opportunity to again thank André for his considerable contribution to the business.

I am pleased to report that ATTRAQT benefits from a strong and experienced senior management team, supported by very capable middle managers, who have been encouraged to take greater ownership for the performance and results of the business as we grow.

I am leading a process to identify and appoint a new chief executive with the experience and capability to lead the enlarged company and the next phase of ATTRAQT's evolution.

REVIEW OF SALES AND OPERATIONS

The momentum of new wins has continued with 22 new logos in the year including Arc'teryx, Auchan, Beauty Bay, Hunter Boots and The White Company. The average SaaS revenue per logo has increased by 51% to £62k (2016: £41k), as ATTRAQT's solutions are taken up by larger, enterprise-grade clients. The ability to attract this type of client was a key part of the rationale behind the Fredhopper acquisition and has been an important addition to our progress in 2017.

ATTRAQT has also seen a healthy increase in the value of extensions – for example rolling out into customers' websites covering additional geographies, upgrades – offering incremental functionality and capability, and renewals over the period, demonstrating the importance of increased function capability to our clients.

ATTRAQT remains committed to the ongoing innovation of its products and services, ensuring that we continue to offer the most innovative and valuable solutions for our clients in the market. Our product roadmap is a key component in helping to minimise the risk of customer attrition and provides incremental revenue opportunities for the Company.

We have also increased focus on minimising attrition and improving customer service and satisfaction through the hiring of additional Customer Success Managers.

I am pleased to report that the performance of managed services through the high demand peak trading period was very good, with requests across our two solutions serving growth of 115% on Black Friday, when compared with the same holiday in 2016. My thanks to the Company's Operation Team.

INTERNATIONAL GROWTH

Over the period ATTRAQT has continued to build its presence steadily in many of its key target regions internationally, with significant new client wins globally. We believe that there is substantial untapped opportunity in Continental Europe where we have recently won an important new contract, which is forecast to go live in the first quarter 2018.

In North America we continue to focus on building and converting the new business pipeline. Although it has taken longer than expected to gain significant traction in this region, ATTRAQT recognizes that there is a sizeable long-term opportunity in North America and we remain committed to expanding our client base there.

MARKET DEVELOPMENTS

Online retail is a highly competitive industry that is constantly evolving as retailers continue to develop their eCommerce strategies, looking for new ways to drive conversion rates, increase average order values, raise retention rates and improve customer loyalty. These challenges are becoming ever more important as shopper's transition from brick and mortar stores and onto online.

ATTRAQT's online merchandising solutions enable its clients to achieve success in these areas through its uniquely feature-rich and highly evolved tools. We continually monitor the market for trends and enhancements to incorporate into our platforms to ensure they meet all our clients' current and future needs.

We recognise that, over time, some eCommerce platform vendors may seek to grow their functionality. Whilst this represents a potential threat to "best of breed" technology vendors such as ATTRAQT we do not believe that any vendor is able to offer the functionality and expertise that matches the breadth, richness and practical application experience that we are able to offer. Our response to this potential threat is to maintain a close relationship with leading customers (large and small) and to ensure that we are constantly innovating and evolving our product offering to meet their demands and needs. Much of this innovation will derive from within ATTRAQT but we are also open to working and partnering with innovative third party technology vendors. We also believe that there are opportunities to develop mutually beneficial go-to-market partnerships with eCommerce platform vendors and system integrators and this is an area of investigation and focus in the coming months.

Within the market we are seeing evidence that some leading eCommerce retailers are exploring and adopting a "headless" architecture that allows them to create a unique solution by integrating a number of best of breed technologies. The different elements compromising their eCommerce solution are managed separately, and not impacted by a change elsewhere in the stack. ATTRAQT's solutions are well suited to this approach.

We continue to strive to ensure that our product offerings are the best in the market and that our customers will continue to see the value in choosing ATTRAQT as a technology partner.

PLATFORM ENHANCEMENTS AND PRODUCT DEVELOPMENT

ATTRAQT is committed to innovation and we are continually developing our product and service offering to ensure that we are offering our customers the most compelling solutions. During the period ATTRAQT made several advancements, including the launch of Fredhopper 8.2.

In the coming year, we expect to enhance our platform further with upgrades to our personalization and reporting capabilities, data services platform and global site management capability, plus the launch of visual recommendation. In addition, as part of ATTRAQT's heightened focus on supporting and nurturing current clients we will be introducing premium support functions later in 2018.

Following the acquisition of Fredhopper in March 2017, ATTRAQT has two product offerings: Freestyle Merchandising and Fredhopper, each of which addresses different segments within the eCommerce market. Going forward we anticipate that we will maintain these two market positions but will seek to converge and share underlying technologies and components across the two product offerings. This will deliver benefits in terms of the cost and quality of ongoing support and maintenance. This approach will provide ATTRAQT's customers with underlying technology modules which are best of breed, as well as a front-end user system which suits their particular needs and resources. As well as being positive for our customers, this convergence will allow ATTRAQT to accelerate the rate of innovation and new product introduction.

OUTLOOK

eCommerce sales are set to increase both in the UK and globally over the years ahead. Our customers are well aware that our technology enables them to increase revenues, boost conversion rates, raise average order values and improve retention rates.

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

The key to success for 2018 will be new client wins and further upsell to current customers whilst minimising attrition. We have put in place the tools to enable this strategy and look forward to delivering on it in the period ahead.

Nick Habgood
Interim Executive Chairman
7th March 2018

CHIEF FINANCIAL OFFICER'S STATEMENT

Total revenue increased by £10.0m to £13.6m (2016: £3.6m) reflecting the acquisition of Fredhopper, the addition of new clients, and service upgrades and renewals from existing ones.

Revenue comprised of £12.3m SaaS revenue, which is largely of a recurring nature and £1.3m of services revenue. Going forward, the company will be reporting revenues by type, SaaS and service-based, rather than monthly recurring. The exit rate (period-end revenue annualised) for SaaS revenue was £15.1m.

Gross profit was £9.4m, an increase of £6.3m. ATTRAQT's gross margin decreased to 69 per cent (2016: 86 per cent), due to the mix with Fredhopper's lower historic gross margin of 59 per cent.

Operating costs were £9.7m (2016: £4.6m) reflecting the increase in size of ATTRAQT following the acquisition.

Adjusted EBITDA (pre-exceptional) losses at £0.2m (2016: £1.6m) were in line with management expectations. ATTRAQT was adjusted EBITDA (pre-exceptional) positive in the second half of the year.

Depreciation and amortisation totalled £1.3m (2016: £0.2m) and primarily related to the amortisation of intangibles assets relating to the acquisition of Fredhopper BV. There was a shared-based payment charge of £0.2m (2016: £0.2m).

Loss before tax was £4.1m (2016: £1.9m loss), with the tax charge in the period £0.02m (2016: £0.2m credit). Therefore, loss for the year was £4.1m (2016: £1.8m loss).

The cash balance at the end of the period was £1.6m. The cash balance as of 28th February 2018 was £2.0m.

Eric Dodd
Chief Financial Officer
7th March 2018

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Revenue	3	13,615	3,569
Cost of sales		(4,169)	(490)
Gross profit		9,446	3,079
Administrative expenses		(11,116)	(5,023)
Exceptional administrative expense	4	(2,382)	-
Total administrative expenses		(13,498)	(5,023)
Loss from operations	5	(4,052)	(1,944)
Finance income		-	2
Loss before tax		(4,052)	(1,942)
Taxation	7	(18)	151
Loss for the year		(4,070)	(1,791)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(239)	14
Total other comprehensive income/(loss)		(239)	14
Total comprehensive loss for the year attributable to shareholders of the parent		(4,309)	(1,777)
Loss per share attributable to the ordinary equity holders of the company			
Basic and diluted EPS	8	(4.4p)	(6.6p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2017	2016
		£'000	£'000
Assets			
Non-current assets			
Intangible assets	10	26,256	247
Property, plant and equipment	11	157	39
		26,413	286
Current assets			
Trade and other receivables	13	4,543	537
Corporation tax recoverable	13	9	214
Cash and cash equivalents		1,636	1,157
		6,188	1,908
Total assets		32,601	2,194
Liabilities			
Current liabilities			
Trade and other payables	14	7,223	774
Non-current liabilities			
Deferred Tax	16	1,462	-
Total liabilities		8,685	774
NET ASSETS		23,916	1,420
Issued capital and reserves attributable to owners of the parent			
Share capital	17	1,063	269
Share premium	17	30,108	4,253
Merger reserve		1,457	1,457
Share based payment reserve	18	803	647
Foreign exchange reserve		(257)	(18)
Retained earnings		(9,258)	(5,188)
TOTAL EQUITY		23,916	1,420

The financial statements were authorised for issue by the Board of Directors on 7 March 2018 and were signed on its behalf by:

Eric Dodd
Director

Company Number 8904529

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2017	2016
		£'000	£'000
Cash flows from operating activities			
Loss for the year		(4,070)	(1,791)
Adjustments for:			
Depreciation of property, plant and equipment	11	51	26
Amortisation of intangible fixed assets	10	1,227	198
Loss/(Profit) on disposal		10	-
Income tax credit	7	18	(151)
Share based payment expense	18	156	170
Foreign exchange differences		33	-
		(2,575)	(1,548)
Increase in trade and other receivables		(1,486)	(50)
Increase in trade and other payables		1,183	74
Cash used in operations		(2,878)	(1,524)
Income taxes received		8	-
Interest		-	(2)
Net cash flows from operating activities		(2,870)	(1,526)
Cash flows from investing activities			
Acquisition of subsidiary (net of cash acquired)		(22,536)	-
Purchases of property, plant and equipment	11	(137)	(38)
Development of intangibles	10	(672)	(275)
Net cash used in investing activities		(23,345)	(313)
Cash flows from financing activities			
Issue of ordinary shares, net of issue costs		26,649	-
Net cash from investing and financing activities		3,304	(313)
Net (decrease)/ increase in cash and cash equivalents		434	(1,839)
Cash and cash equivalents at beginning of year		1,157	2,996
Effects of exchange rate changes on balance of cash held in foreign currencies		45	
Cash and cash equivalents at end of year	2	1,636	1,157

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Merger Reserve	Share based Payment reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 January 2016	**269**	**4,253**	**1,457**	**477**	**(32)**	**(3,397)**	**3,027**
Loss for the year	-	-	-	-	-	(1,791)	(1,791)
Translation of foreign entity	-	-	-	-	14	-	14
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**14**	**(1,791)**	**(1,777)**
Contributions by and distributions to owners							
Share based payment charge	-	-	-	170	-	-	170
Total contributions by and distributions to owners	**-**	**-**	**-**	**170**	**-**	**-**	**170**
31 December 2016	**269**	**4,253**	**1,457**	**647**	**(18)**	**(5,188)**	**1,420**
Loss for the year	-	-	-	-	-	(4,070)	(4,070)
Translation of foreign entities	-	-	-	-	(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
Issue of share capital	794	27,005	-	-	-	-	27,799
Issue costs	-	(1,150)	-	-	-	-	(1,150)
Total contributions by and distributions to owners	**794**	**25,855**	**-**	**156**	**-**	**-**	**26,805**
31 December 2017	**1,063**	**30,108**	**1,457**	**803**	**(257)**	**(9,258)**	**23,916**

Reserves

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

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The merger reserve results from the application of merger accounting on the merger of ATTRAQT Inc. and ATTRAQT Limited.
Share based payment reserve	The share based payment reserve represents equity settled share based employee remuneration until such share options are exercised.
Foreign exchange reserve	The difference arising on the translation of the assets and liabilities of the overseas subsidiaries into the presentational currency of the Group.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. Corporate information

The consolidated financial statements of ATTRAQT Group plc (“the Company”) and its subsidiaries (together “the Group”) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 7 March 2018.

The Company is a public limited company which is quoted on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of the registered office is 3 Waterhouse Square, 138 Holborn, London, EC1N 2SW. The registered number of the company is 8904529.

The principal activity of ATTRAQT Group plc (“the Company”) and its subsidiaries (together “the Group”) is the development and provision of eCommerce site search, merchandising and product recommendation technology. Information on the Group’s structure is provided in note 12. Information on other related party relationships of the Group is provided in note 20.

1.2 Basis of preparation

The consolidated financial statements are for the year ended 31 December 2017. They have been prepared in compliance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union as at 31 December 2017 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and are presented in Sterling rounded to the nearest thousand except where indicated otherwise.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

1.3 Application of new and revised International Financial Reporting Standards (IFRS)

(i) New standards, interpretations and amendments effective 1 January 2017
There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group’s financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for unrealised Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(ii) New standards, interpretations and amendments not yet effective
There are a number of standards and interpretations, along with the mandatory periods that they need to begin, have been issued by the International Accounting Standards Board that are effective in future accounting periods that the group has decided not to adopt early:

Mandatory for periods beginning on or after 1 January 2018
IFRS 9 Financial Instruments; and
IFRS 15 Revenue from Contracts with Customers.

Mandatorily for periods beginning on or after 1 January 2019
IFRS 16 Leases

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. The Group has performed an initial assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below.

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The Group is required to apply the simplified approach and record lifetime expected losses on all trade receivables. In applying IFRS 9 the group must consider the probability of a default occurring over the contractual life of its trade receivables and contracts asset balances on initial recognition of those assets. Under the existing incurred loss model, this has typically been 5% of the gross carrying amount of receivables over the last 3 years, and at 31 December 2017 and 2016 amounted to GBP 112,000 and GBP 174,000 respectively (see note 13). ATTRAQT believe there will be no effect as trade receivables are less than 12 months.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group has carried out a technical exercise regarding the following revenue sources:

- SaaS revenues - a monthly subscription fee is earned from customers to the software as a service platform. Operation of the service is provided for a fixed term. The view is that the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs; and
- Services - Revenue from Consulting services and implementation fees. The view is that revenue is recognised when control is passed at a certain point in time and is based on a daily rate.

Apart from providing extensive disclosures on the Group's revenue transactions, the directors do not anticipate that the application of IFRS 15 will have a significant impact on the financial positions and /or financial performance of the Group. ATTRAQT will complete a cumulative adjustment on adoption and are not expecting 2017 to change.

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 as advanced in its implementation of IFRS 16 as it is for IFRS 15. 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 2017 operating lease commitments amounted to 469,000, which is not expected to be materially different to the anticipated position on 31 December 2018. 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.

Other
The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. 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;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

1.5 Summary of significant accounting policies

1.5.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is 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. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with IAS 39.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

ATTRAQT assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The value in use calculation is based on a DCF model. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from the

forecast for the next five years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

1.5.2. Revenue

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Where work is completed at the year-end but not invoiced, the ATTRAQT Group accrues for this income. The Group derives the majority of its revenue from the provision of eCommerce services to online retailers which includes site search, merchandising and product recommendation technology. These are recurring revenues that are recognised on a monthly basis.

Revenue from services provided by the ATTRAQT Group is recognised when the ATTRAQT Group has performed its obligations and in exchange obtained the right to consideration which can be reliably measured and it is probable economic benefits will flow to the entity. If amounts have been invoiced in advance for services, these amounts are deferred until the service has been provided to the client at which point the income is recognised. Within the ATTRAQT Group income is recognised across three streams:

- SaaS revenues – a monthly subscription fee is earned from customers to the software as a service platform. Operation of the service is provided for a fixed term.
- Services revenue – revenue from consultancy services rendered is recognised in income based on work completed at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

1.5.3. Foreign currency

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

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

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

1.5.4. Financial assets and liabilities

Financial assets

Loans and receivables

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

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

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

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

Cash and cash equivalents

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

Financial liabilities

Other financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

1.5.5. Leases

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

1.5.6. Share capital

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

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

1.5.7. Income taxes

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

1.5.8. Deferred taxation

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

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

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

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

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

- the same taxable Company; or
- different Company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

1.5.9. 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 eCommerce solutions. Based on this, there is considered to be one reportable segment. The internal and external reporting is on a consolidated basis with transactions between group companies eliminated on consolidation. Therefore, the financial information of the single segment is the same as that set out in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position and statement of cash flows.

1.5.10. Intangible assets (internally developed – 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.

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

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.

1.5.12. 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.

1.5.13. Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Property plant and equipment is depreciated over its estimated useful economic life taking into account their residual values. The estimated useful economic life of these assets is:

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

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

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the 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.

Significant accounting judgements and estimates

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

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 9. 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 9).

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.

2. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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.

	2017	2016
	£'000	**£'000**
Financial assets		
Current		
Trade receivables	**3,902**	**340**
Other receivables	**235**	**85**
	4,137	**425**
Cash and cash equivalents	**1,636**	**1,157**

All financial assets held by the Group at 31 December 2017 are classified as cash and cash equivalents or loans and receivables and there is no difference between the carrying amount and the fair value.

	2017	2016
	£'000	**£'000**
Financial liabilities		
Current		
Trade payables	**399**	**203**
Other payables	**557**	**189**
	956	**392**

All financial liabilities held by the Group at 31 December 2017 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 Interim Executive Chairman. The Board receives quarterly reports from the Company Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the 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.

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 14.

	2017 £'000	2016 £'000
Cash at bank		
Cash is held with the following institutions:		
Barclays Bank plc	487	1,136
Citibank Inc	8	21
ING Bank NV	1,071	-
Westpac Banking Corporation	36	-
Deutsche Bank AG	34	-
	1,636	**1,157**

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.

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:

At 31 December 2016	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	362	30	-	-	-
Total	362	30	-	-	-

At 31 December 2017	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	930	26	-	-	-
Total	930	26	-	-	-

3. REVENUE

	2017 £'000	2016 £'000
Revenue arises from the rendering of services		
SaaS revenue	**12,307**	**3,205**
Services	**1,308**	**364**
Total rendering	**13,615**	**3,569**

There is one customer which contributes more than 10% (£1.9m) of the Groups revenues (2016: 1 customer – contributing £0.4m).

	2017 £'000	2016 £'000
Geographical split of revenue		
UK	**3,385**	**3,279**
North America	**268**	**290**
Europe	**9,928**	**-**
Rest of World	**34**	**-**
	13,615	**3,569**

The Group reports geographical revenue based on the revenue of the relevant statutory billing entity.

4. EXCEPTIONAL ADMINISTRATIVE EXPENSES

The exceptional cost consists of £2,382,000 (2016: £ Nil) relating to the legal and professional advisors and post-integration activities.

5. LOSS FROM OPERATIONS

	2017 £'000	2016 £'000
Loss from operations is taken after taking account of the following items:		
Employee benefits (see note 6)	6,630	2,775
Depreciation of property, plant and equipment (see note 11)	51	26
Amortisation of intangible assets (see note 10)	1,227	198
Loss on Disposal of fixed assets (see note 11)	10	-
Operating lease expense	638	335
Research and Development costs	777	198
Foreign exchange losses	33	-
Audit and non-audit services:		
Fees payable to the company's auditors for the audit of the Group annual accounts:		
Group annual accounts	150	49
Fees payable to the company's auditor and its associates for other services:		
Tax services	15	10
Corporate finance fees	295	-

6. EMPLOYEE BENEFIT EXPENSES

	2017 £'000	2016 £'000
Staff costs (including directors) comprise:		
Wages and salaries	5,629	2,480
Social security contributions and similar taxes	736	295
Pension	109	-
Share Based Payment	156	170
	6,630	2,945

KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2017 £'000	2016 £'000
Salary, Director fees, bonus and benefits in kind	819	380
Share based payments	4	-
	823	380

The Employer's National Insurance contributions expensed in the period relevant to the Key management personnel compensation was £86,000 (2016: £52,000).

Details of the Directors' salaries, share based payments and the highest paid director are shown in the Remuneration Committee report.

Staff Numbers

The average monthly number of employees, including Directors and individuals employed by the Group are as follows:

	2017	2016
Sales	16	11
Technical	78	24
Management (including directors)	13	7
Administration	15	2
	122	44

7. INCOME TAX

	2017 £'000	2016 £'000
Current income tax		
Current tax on loss for the year	215	(151)
Deferred Tax for the year (note 16)	(197)	-
	18	(151)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2017 £'000	2016 £'000
Loss for the year	(4,052)	(1,942)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.25% (2016 - 20.00%)	(780)	(389)
Expenses not deductible for tax purposes	537	37
Fixed asset differences	(53)	(13)
Unrelieved losses arising in the period	639	124
Additional deduction for R&D expenditure	(109)	(119)
Surrender of tax losses for R&D tax credit refund	48	92
Utilization of prior year losses	(133)	-
Adjustment for different rates of corporation taxation in overseas jurisdictions	66	117
Total tax charge/(credit)	215	(151)

At 31 December 2017, tax losses estimated at £4.1m (2016: £1.2m) were available to carry forward by the ATTRAQT group, arising from historic losses incurred.

8. LOSS PER SHARE

	2017 £'000	2016 £'000
Numerator		
Loss for the year and loss used in basic and diluted EPS	(4,070)	(1,791)
Denominator		
Weighted average number of shares used in basic and diluted EPS	92,006,582	26,942,340
Loss per share – basic and diluted	(4.4p)	(6.6p)

9. ACQUISITION OF SUBSIDIARY

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. Fredhopper BV is a company whose principal activity is to provide site search and merchandising software to online retailers. The principal reason for this acquisition was to secure the Company's primary competitor and become the 'go to' provider of online visual merchandising for retailers. The acquisition increased the existing client base and provides a strong presence in the US, UK and Continental European markets.

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

	Book Value £'000	Adjustment £'000	Fair Value £'000
Customer Relationships	-	4,414	4,414
Technology	-	4,805	4,805
Trade Name	-	788	788
Property, plant and equipment	43	-	43
Trade Receivables	2,292	-	2,292
Other Debtors	506	-	506
Trade Creditors	(522)	-	(522)
Other Current Liabilities	(546)	-	(546)
Corporation Tax Payable	(18)	-	(18)
Deferred Revenue	(3,460)	-	(3,460)
Deferred tax liability	-	(1,879)	(1,879)
Total Net Assets/(Liabilities)	**(1,705)**	**8,128**	**6,423**

Consideration	**£'000**
Cash Transferred	23,005
Total Consideration	**23,005**

There is no contingent consideration on the Fredhopper acquisition.

Goodwill

	£'000
Consideration transferred	22,536
Cash received via acquisition	469
Fair value of identifiable net assets	(6,423)
Goodwill	**16,582**

Acquisition costs of £2,805,000 arose as a result of the transaction. Acquisition costs of £1,655,000 attributable to the integration of Fredhopper BV have been recognised as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill are:

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

The goodwill recognised will not be deductible for tax purposes.

Since the acquisition date, Fredhopper BV has contributed £10,040,000 to group revenues and £2,194,000 to group profit. If the acquisition had occurred on 1 January 2017, group revenue would have been £12,086,000 and group profit for the period would have been £2,600,000

10. INTANGIBLE ASSETS

	Goodwill	Customer Relationships	Existing Technology	Trademark	Software Development	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 January 2016	-	-	-	-	974	974
Additions - internally developed	-	-	-	-	275	275
At 31 December 2016	-	-	-	-	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
Amortisation						
At 1 January 2016	-	-	-	-	804	804
Charge for the period	-	-	-	-	198	198
At 31 December 2016	-	-	-	-	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
Net Book Value						
At 1 January 2016	-	-	-	-	170	170
At 31 December 2016	-	-	-	-	247	247
At 31 December 2017	**16,582**	**3,970**	**4,244**	**724**	**736**	**26,256**

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

	Goodwill carrying amount	
	2017	**2016**
	£'000	**£'000**
ATTRAQT Group plc	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:

	2017	**2016**
Discount rate	20.9%	-
Revenue growth rate	18%	-
Budgeted EBITDA margin (average of next 5 years)	21%	-
Terminal growth rate	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 18% based on historical growth and management's expectations of future trends.

The cost base is assumed to grow in 2018 with investment in the Sales function and will then grow 5% thereafter.

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.

	Change required for the carrying amount to equal recoverable amount	
In percent	**2017**	**2016**
Discount rate	28.3	-
Revenue growth rate	8.5	-

11. PROPERTY, PLANT AND EQUIPMENT

	Plant and Machinery	Fixture and Fittings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2016	194	2	196
Additions	36	2	38
At 31 December 2016	230	4	234
Additions	137	-	137
Acquired through business combinations	42	-	42
Disposals	(10)	-	(10)
At 31 December 2017	399	4	403
Depreciation			
At 1 January 2016	167	2	169
Charge for the year	26	-	26
At 31 December 2016	193	2	195
Charge for the year	51	-	51
At 31 December 2017	244	2	246
Net Book Value			
At 1 January 2016	27	-	27
At 31 December 2016	37	2	39
At 31 December 2017	**155**	**2**	**157**

12. INVESTMENTS IN SUBSIDIARIES

As at 31 December 2017, 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 at 31 December	Country of Incorporation and principal place of business	Registered Office
Attraqt Limited	100%	UK	3 Waterhouse Square, 138 Holborn, London, EC1N 2SW, UKATTRAQT
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, UKATTRAQT
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

	2017 £'000	2016 £'000
Trade receivables	4,014	514
Less: allowance account for bad and doubtful debts	(112)	(174)
Trade receivables - net	3,902	340
Prepayments and accrued income	515	112
Corporation tax recoverable	9	214
Other receivables	126	85
Total trade and other receivables	4,552	751

Invoices for services rendered are due in accordance with agreed terms, however the majority of customers settle debts within 45 days of the date of the invoice.

As at 31 December 2017 trade receivables of £1,015,000 (2016: £472,000) were past due of which £112,000 were provided against (2016: £174,000). Trade receivables of £2,999,000 are not due at balance sheet date.
Payment of the overdue receivables is expected in due course. The ageing analysis of these overdue receivables is as follows:

	2017 £'000	2016 £'000
Up to 3 months	884	284
3 to 6 months	19	7
6 to 12 months	-	7
Over 12 months	-	-
	903	298

As at 31 December 2017 trade receivables of £112,000 (2016: £174,000) were considered bad or doubtful.
If fully impaired the amount of the debt would be written off from the allowance account.
Movements on the allowance account for bad and doubtful debts:

	2017 £'000	2016 £'000
At 1 January 2017	174	23
Released during the year	(56)	(21)
Provided during the year	(6)	172
At 31 December 2017	112	174

The movement on the provision for impaired receivables has been included in administrative expenses in the consolidated statement of comprehensive income.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

14. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	399	203
Accrued and other payables	557	189
Other taxes	289	-
Deferred tax	283	-
Deferred income	4,848	104
Employee benefits and taxes (note 15)	847	278
Total Trade and other payables	7,223	774

The carrying value of traded and other payables classified as financial liabilities measured at amortised cost approximates fair value.

15. EMPLOYEE BENEFITS LIABILITIES

Liabilities for employee benefits comprise of the following:

	2017 £'000	2016 £'000
Liability for social security contributions and commissions accruals	629	278
Accrual for annual leave	218	27
	847	305

16. DEFERRED TAX

The deferred tax liability arose following the acquisition of Fredhopper BV, details are shown in note 9.

	2017 £'000
Cost	
At 1 January 2016 and	
At 31 December 2016	-
Arising on business combinations	1,879
Recognised in profit and loss - tax expense – note 7	(197)
At 31 December 2017	1,682
Categorised as:	
Current	220
Non-Current	1,462
	1,682

17. SHARE CAPITAL

Allocated, called up and fully paid

	2017 Number of Shares	2017 £'000 Share capital	2017 £'000 Share Premium	2016 Number of Shares	2016 £'000 Share capital	2016 £'000 Share Premium
Ordinary shares of £0.01 each						
At 1 January	26,942,340	269	4,253	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	26,942,340	269	4,253

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.

18. SHARE BASED PAYMENT

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 (WAEP) outstanding during the year are as follows:

	2017 WAEP Number	Price (pence)	2016 WAEP Number	Price (pence)
Outstanding at the beginning of the year	2,702,569	40.86	2,702,569	40.86
Granted during the year	4,254,740	35.00	-	-
Forfeited during the year	(162,412)	50.00	-	-
Outstanding at the end of the year	6,794,897	36.97	2,702,569	40.86
Exercisable at the year end	1,341,680	31.59	1,341,680	31.59

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

Date of Grant	Expiry Date	Exercise Price (p)	2017 Share options (Number)	2017 Remaining life (Years)	2016 Share options (Number)	2016 Remaining life (Years)
24-Jul-13	24-Jul-23	31.59	986,500	6	986,500	7
29-May-14	29-May-24	31.59	177,590	7	177,590	8
19-Aug-14	19-Aug-24	31.59	177,590	7	177,590	8
25-Sep-15	25-Sep-25	50.00	1,198,477	8	1,360,889	9
15-Dec-17	15-Dec-27	35.00	4,254,740	10	-	

The company uses a Black Scholes model to estimate the cost 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.

No options were granted during the year or the comparative year
The following options were granted during the year.

Date	15-Dec-17
No. of shares	4,254,740
Fair Value per Share (p)	14.1p
Share Price on Grant Date (p)	33.5p
Exercise Price (p)	35.0p
Vesting Period	3 years
Staff Retention Factor	95%
3 Year Volatility	65%
Risk Free Rate	0.516%
Total Fair Value (£)	566,739

The total expense recognised during the year by the Group, for all schemes, was £156,000 £170,000). The weighted average remaining life of the options outstanding at the end of the year was 7.8 years (2016: 8.8 years). No options were exercised during the year.

19. LEASES

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

	2017 £'000	2016 £'000
Not later than one year	479	183
Later than one year and not later than five years	-	-
Later than five years	-	-
	479	**183**

20. RELATED PARTY TRANSACTIONS

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

	Sales of goods		Purchase of goods		Amounts owed by related parties		Amounts owed to related parties	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Azini Capital Partners [1]	-	-	40	20	-	-	-	-
Azini Capital Partners [2]	-	-	8	-	-	-	-	-
Azini Capital Partners [3]	-	-	75	-	-	-	-	-
Directors' spouse [4]	-	-	8	19	-	-	-	-
Taylor Wessing [5]	-	-	40	20	-	-	-	-
Taylor Wessing [6]	-	-	462	-	-	-	-	-

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

There are no other related party transactions.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments	2	23,970	**808**
Current assets			
Trade and other receivables	3	4,977	**3,606**
Total assets		**28,947**	**4,414**
Liabilities			
Current liabilities			
Trade and other payables	4	100	**42**
Total Liabilities		100	**42**
NET ASSETS		**28,847**	**4,372**
Issued capital and reserves attributable to owners of the parent			
Share capital	5	1,063	**269**
Share premium	5	30,108	**4,253**
Share based payment reserve	6	803	**647**
Retained earnings		(3,127)	**(797)**
TOTAL EQUITY		**28,847**	**4,372**

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 £2,330,000 (2016: £234,000).

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

Eric Dodd
Director
Date: 7 March 2018

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Share based Payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
1 January 2016	**269**	**4,253**	**477**	**(563)**	**4,436**
Loss for the year	-	-	-	(234)	(234)
Total comprehensive Loss for the year	-	-	-	**(234)**	**(234)**
Share based payment charge	-	-	170	-	170
31 December 2016	**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
Issue of share capital	794	27,005	-	-	27,799
Issue costs	-	(1,150)	-	-	(1,150)
Total contributions by and distributions to owners	**794**	**25,855**	**156**	**-**	**26,805**
31 December 2017	**1,063**	**30,108**	**803**	**(3,127)**	**28,847**

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

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

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

NOTES FORMING PART OF THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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

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

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 assets
Loans and receivables
The Company's other receivables comprise of loans and other receivables in the statement of financial position. Their carrying value approximates fair value at both reporting dates.

Financial liabilities
Other financial liabilities

Other financial liabilities include the following items:

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

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.

2. INVESTMENTS

	At 31 December 2017 £'000	At 31 December 2016 £'000
As at 1 January	808	638
Additions	23,162	170
At 31 December	23,970	808

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 2017, 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 at 31 December	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

	2017 £'000	2016 £'000
Amounts owed by group undertakings	4,915	3,557
Prepayments	47	29
Other receivables	15	20
Total trade and other receivables	4,977	3,606

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

4. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	39	39
Other payables	61	3
Total trade and other payables	100	42

All financial liabilities held by the Company at 31 December 2017 are classified as held at amortised cost.

5. SHARE CAPITAL

Allocated, called up and fully paid

	2017 Number of Shares	**2017 £'000 Share capital**	**2017 £'000 Share Premium**	**2016 Number of Shares**	**2016 £'000 Share capital**	**2016 £'000 Share Premium**
Ordinary shares of £0.01 each						
At 1 January	26,942,340	269	4,253	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	26,942,340	269	4,253

The company raised £27,799,000, before expenses, by a private placing of 78,572,000 1p Ord shares at 35p, and a further 854,249 1p Ord 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 18.

7. FINANCIAL INSTRUMENTS

	2017 £'000	2016 £'000
Current		
Other receivables	4,915	3,557
Total loans and receivables	4,915	3,557
Other payables	100	42
Total trade and other payables	100	42

8. CASH BALANCES

ATTRAQT Group plc does not hold bank accounts in its name. The Company's cash flow movements have been disclosed as part of the group financial statements on page 38.

9. EMPLOYEES

The company has no employees during the period (2016: none).

COMPANY INFORMATION FOR YEAR ENDED 31 DECEMBER 2017

Country of incorporation

United Kingdom

Legal form

Public limited company

Directors

Nick Habgood
Ivor Dunbar
Edward Ewing
Robert Fenner
Eric Dodd

Secretary and registered office

E Dodd
3 Waterhouse Square
138 Holborn
London
EC1N 2SW

Company number

8904529

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

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

Lawyers

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