ATTRAQT Group PLC

Report and Financial Statements

Year Ended

31 December 2016

Company Number 8904529

ATTRAQT is a fast growing SaaS software business, providing an online merchandising platform to retailers.

Uniquely, the ATTRAQT Freestyle Merchandising® platform provides the complete range of merchandising disciplines within a single platform providing a dynamic, robust and scalable merchandising solution that delivers increased online revenue and reduced costs to retailers by enabling them to take total control of their online merchandising.

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ATTRAQT Group PLC

Key Highlights
for the year ended 31 December 2016

Financial Highlights

- Revenue growth of 22.6% to £3.6m (FY15: £2.9m)
    - Recurring revenue[1] increased 22% to £3.2m (FY15: £2.7m)
- Adjusted EBITDA[2] losses were £1.6m, in line with expectations, reflecting the accelerated investment in the business
- Losses before tax were £1.9m, in line with expectations (FY15: loss £0.7m)
- Adjusted basic EPS loss 6.6 pence per share (FY15: loss 3.1 pence per share)
- Exit Rate (period end contracted annualised billing) up 15% to £3.9m (FY15: £3.4m)
- Gross margins increased to 86.2% (FY15: 83.5%)
- Cash at period end £1.2m (FY15: £3.0m)

[1]. Monthly recurring revenue accrued January-December 2016.
[2]. Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortization and share based payments

Operational Highlights

- Continued sales momentum with 42 deals in the year, including 31 new clients, bringing the total to 121 (FY15: 110)
    - New clients include: Fraser Hart & Fields, Volcom, Matches Fashion, Moss Bros., Russell & Bromley, JoJo Maman Bebe, Eddie Bauer, L.K. Bennett, The North Face, OKA Direct, Timberland, Vans (Europe) and Victoria Beckham
- Average newly signed deal value increased to £32.3k (FY15: £28.4k)
- US sales operations performing well with seven new customers signed, bringing the total clients in North America to 19 (FY15: 21). The one-off reduction in clients from FY15 to FY16 was due to the noted outage which hit Magento clients disproportionally hard, of which many were in the US.
- 37 new customer implementations delivered, bringing total number of live client sites to 185 (FY15: 154)
- Continued investment in upgrading the Freestyle Merchandising platform (‘the Platform’), with three new core code releases in the period

Chairman's Statement
for the year ended 31 December 2016

I am delighted to report continued strong progress for ATTRAQT in 2016 with sustained sales momentum. The Group signed 42 deals in the period, including 31 new clients, and increased the average new client deal value to £32.3k per annum.

The financial results for FY 2016 are very encouraging with the Group delivering revenue growth of 22 percent to £3.6m, which includes a 22 percent increase in recurring revenue to £3.2m. The business showed good control of costs during the period to deliver an EBITDA loss of £1.6m, in line with expectations and reflecting the accelerated investment in the business. Gross margins increased to 86.2 percent.

Expansion in the North America market progressing well, as demonstrated by the signing of seven new clients, including Eddie Bauer and Volcom.

The Group continues to invest and develop its core software platform, specifically upgrading the Freestyle Merchandising platform which saw seven new core code releases during the period. On a backdrop of continued solid growth and exciting times for ATTRAQT, the Board looks forward to the future with confidence.

Nick Habgood
Chairman
3 March 2017

ATTRAQT Group plc

("the Company") and its subsidiaries (together "the Group")

Innovative provider of visual merchandising, site search and product recommendation technology.

ATTRAQT provides a SaaS-based visual merchandising platform to online retailers called *Freestyle Merchandising*. The platform acts as a plug-in for a retailer's e-commerce site and provides tools to enable retailers to merchandise effectively. In particular, it enables retailers to control how their products are merchandised through their e-commerce sites including site search and navigation, product recommendations, category pages, product detail pages, check-out basket, email, order tracking and in-store devices.

Freestyle Merchandising uses the Balance Factor technology developed by ATTRAQT, which applies a weighting to metrics such as popularity, price, colour, stock availability, trend, etc. to determine the blend and sequencing in which products are displayed and can be implemented using business rules, behavioural data, and/or manual placement.

Implementation of Freestyle Merchandising by a retailer provides 5 core benefits:

- commercial gain from increased conversion rates and higher average order values
- 3 technologies in 1: site search, visual merchandising and product recommendations
- complete control over how products are merchandised online
- removes the reliance on internal IT to make visual merchandising changes on the e-commerce site
- increases productivity from visual merchandising team.

The Group has 121 retail clients (December 2016) covering the whole spectrum of retail from large-scale enterprises such as Screwfix, Tesco Clothing and TK Maxx to mid-sized businesses such as Boohoo.com, Ellis Brigham, Emma Bridgewater, Laura Ashley and Superdry, as well as smaller boutique retailers such as Joseph, Lulu Guinness and Wolf & Badger.

The Group continues to invest in maintaining its platform at the leading edge of visual merchandising and released five platform upgrades during 2016 focusing on performance upgrades, enhancements to personalisation technology, improvements to manual merchandising and additional reporting functionalities.

ATTRAQT has an exciting development roadmap for 2017, including improvements to the platform to streamline production, a full reporting and recommendations upgrade and further improvements to personalisation.

Visual merchandising the ATTRAQT way

ATTRAQT's advanced online search and visual merchandising solutions make it easy to apply traditional creative visual merchandising techniques found in a bricks and mortar environment to the online world, giving merchandisers the freedom to fully control the product mix and sequencing of products to produce optimum sales results.

ATTRAQT understands how critical it is to get the right products in front of the right people, at the right time, - trends and buying patterns change, retailers need to adapt just as quickly. With ATTRAQT's drag and drop collections, Balance Factor control, powerful site-search, and personalised product recommendations, this couldn't be simpler, ensuring that retailers are always in-sync with their customers' needs and are able to manage the growing demands of their business.

ATTRAQT Freestyle Merchandising allows retailers to optimise product positioning and tailor content to different markets, to target and convert global customers.

How ATTRAQT works

Visual merchandising

- Intelligent visual merchandising – using drag and drop collections, retailers can effortlessly curate the product offering to their audience.

- ATTRAQT's Balance Factor technology enables a merchandiser to fully automate dynamic product-sequencing based on frequently changing metrics including stock, price, margin, newness, style, colour and more.

- International localisation – country-specific merchandising and content enables a retailer to tailor their product offering considering factors such as season, climate and differing cultural tastes.

Site search

- ATTRAQT optimises their site-search using Balance Factor technology to manipulate the sequencing of results pages. Search driven merchandising can be created using an array of metrics including: newest in, best-selling, highest stock and many more.

- Spell correction using several combined algorithms to predict both misspelling and mistyping in relation to a retailers tailored product database – resulting in fewer zero search results, and far fewer losses of potential buyers.

Product recommendations

- Personalised product recommendations that improve conversion rates and average order values. Using a full range of behavioural algorithms, manual collections and Balance Factor control, retailers can ensure that they're offering the right customers the right products, and lead them to convert.

ATTRAQT's competitive strategy

Freestyle Merchandising is a visual merchandising platform that acts as a plug-in for a retailer's existing e-commerce platform and takes over three core elements of the retailer's site (category pages, site search and product recommendations) to provide merchandising tools that enable them to merchandise their products more effectively through those elements of the site.

The Group's competitive strategy includes:

1. Providing 3 technologies in one platform

ATTRAQT provides 3 visual merchandising technologies (category pages, site search and product recommendations) in one platform. Being able to merchandise through all three main elements of a retailer's site from a single visual merchandising platform is both a significant benefit to our clients and a significant competitive advantage as it is easier to evict incumbent single component suppliers from a retailer and much harder to replace Freestyle Merchandising as a competitor.

2. Balance Factor technology

Freestyle Merchandising's Balance Factor technology enables retailers to create and implement sophisticated visual merchandising on their sites. It uses a simple slider system to create merchandising rules from the site metrics that are important to a retailer. The system applies a weighting to the selected metrics to determine the sequencing of products. Balance Factor can be applied to category pages, site search, product recommendations and email. Balance Factor is patent pending.

3. New platform developments

The Group continues to develop the capabilities of Freestyle Merchandising, keeping the Group ahead of the competition and increasing the value it delivers to its customers, making its position within a retailer more secure.

4. World class customer service

ATTRAQT aims to provide world class customer service and continues to invest in this as a means to inoculate our clients against the competition.

Our growth strategy

Built into the Group's DNA is the concept of developing innovative technology and turning it into easy to use products. ATTRAQT has used this approach to develop the market for its product Freestyle Merchandising and has successfully gained 121 clients to date (December 2016). The most recent round of fundraising completed in December 2015 has enabled us to reinforce our growth strategy consisting of:

1. Expand the sales teams and invest in marketing

   The Group will continue to invest in the development of sales and marketing by expanding the sales team, plus increasing tactical marketing spend. The Group's sales model is based on a combination of inside sales to generate leads plus more senior field sales people who are targeted with signing new clients.

2. Expand productive capacity

   The Group will continue to expand its production capacity to support the increase in client delivery, due to the expansion in sales teams.

3. Develop partnerships

   The Group will continue to develop current partnerships through dedicated management, whilst also having a focus on establishing new partnerships. The Directors believe this is particularly important for the North American market.

4. Extend our technology platform

   The Group will continue its on-going investment in the ATTRAQT Freestyle Merchandising platform by adding new features and creating new products to produce new revenue streams.

5. Identify New Markets

   The Group will also continue to identify new markets and innovative ways to repurpose our technology.

Some of our clients

ATTRAQT is the trusted online merchandising partner for many retailers, both large and small.

Here are just a few of the companies that we work with:

Boohoo
Eddie Bauer
F&F – Tesco
Kate Spade
Laura Ashley
LK Bennett
Matches Fashion
Superdry
The North Face
Timberland
TK Maxx
TUMI
Vans
White Stuff
Wilko

The Group uses key performance indicators (KPIs) to measure progress in the business. These indicators provide visibility of both our financial and strategic performance.

Key performance indicators

Financial

Revenue growth

Year	Sales	Growth %
2014	£2,086,000	32%
2015	£2,911,000	40%
2016	£3,569,000	23%

Gross margin

Year	Gross margin	As Percentage of Revenue
2014	£1,687,000	81%
2015	£2,431,000	84%
2016	£3,079,000	86%

Gross margin growth

Year	Gross margin growth	Growth %
2014	£400,000	31%
2015	£744,000	44%
2016	£647,000	27%

Adjusted EBITDA[1]

Adjusted EBITDA[1] losses for 2016 were in line with management expectations, reflecting the accelerated investment in the business.

Year	Adjusted EBITDA[1]
2014	(£721,000)
2015	(£192,000)
2016	(£1,549,000)

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

Exit Rate (year-end contracted annualised)

This KPI enables the Group to take a view at the end of the year of the average value of both live clients and clients who are contracted to go live.

Year	Sales	Growth
2014	£2,581,000	42%
2015	£3,434,000	33%
2016	£3,910,000	15%

Key performance indicators (continued)

Strategic

New clients signed

Year	Clients
2014	36
2015	31
2016	31

Total live client sites

The number of live client sites shows the total number of client eCommerce sites that are currently using the ATTRAQT platform.

Year	Live sites
2014	110
2015	154
2016	185

Risks & mitigation – principal risks and uncertainties

Competitive risk
The growth in e-commerce has resulted in a significant increase in software companies seeking to supply online retailers with enabling technology. The Directors believe having all three elements makes it easier for the Group to both reduce incumbent competitors' new prospects and to defend its existing client-base from external competitors and consider that its competitors would face significant barriers in attempting to replicate the group's technology.

Loss of key clients
The loss of key clients is always a potential threat. However, the Group seeks to mitigate this risk in several ways: a) clients sign for a minimum of 12-months or longer with automatic annual renewals, b) the Group invests in extensive client support and training to ensure users are able to use the platform effectively and c) the Group invests in account management and professional services to ensure that clients renew their commercial arrangements with the Group.

Platform outage
As a provider of a SaaS service, the Group relies on its hosting partners to provide an uninterrupted service. The Group experienced an outage at its data centre during H1, which was quickly addressed and subsequently the Group transitioned to a new data centre provider. The Group mitigates this risk by using fault-tolerant load-balanced cloud services. In 2016, the Group extended this architecture to a multi-site, multi data centre provider to provide as much resilience as possible.

Recruitment and retention
As with any fast growing software business, the Group's growth strategy is predicated on hiring people who will be effective in realising its growth ambitions.

This means further sales and marketing hires as well as the technical people that expand capacity (in terms of getting sites live) are crucial to drive the Group's revenue base. The Directors believe that, over the last three years, the Group has refined its go-to-market strategy and can train new recruits quickly. They also regularly review the market rates of salaries and benefits to ensure staff have appropriate compensation and reward packages.

Retail sector exposure
Due to the nature of the technology the Group offers, the Group's customers are predominantly in the retail sector.

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

The Group seeks to mitigate such risks by: a) signing clients on 12-month contracts and b) continually considering new market opportunities.

Technological risk
The Group operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function in the market. To remain competitive, the Group continues to enhance and improve the responsiveness, functionality, accessibility and other features of its software, services and technologies.

Foreign Exchange Risk
The Group has exposure to foreign exchange rate risk due to the nature of its operations and cost base. The Group constantly monitors the currency market and adjusts forecasts based on expected rates.

Intellectual property

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

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

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

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

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

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

Proposed Acquisition of Fredhopper B.V

On 27 January 2017, the Group announced that it has entered a conditional agreement to acquire the whole of the issued share capital of Fredhopper B.V from SDL plc, for an aggregate cash consideration of £25 million. The proposed acquisition constitutes a reverse takeover under the AIM Rules for Companies and as such is conditional on approval by Shareholders. Approval is being sought at a General Meeting to take place on 6 March 2017.

The Group will be funding the acquisition by way of a Placing and has conditionally raised £27.5 million (before expenses) by way of firm placing of 78,572,000 Placing Shares at a price of 35 pence per share with certain institutional and other investors. The Directors have received irrevocable undertakings from over 75 percent of existing shareholders to vote in favour of the resolution to proceed with the transaction at the General Meeting. Pursuant to the AIM Rules for Companies, trading in the Ordinary Shares of the Company was suspended on 30 January 2017.

The Group proposes to use the majority of the proceeds of the Placing receivable by the Group to satisfy the cash consideration of £25 million less working capital adjustments due under the signed Share Purchase Agreement with SDL plc, with the balance of the proceeds, together with the proceeds of an Open Offer for shares of up to £1m, being used to fund the integration of the two businesses, investment into the Enlarged Group's sales and marketing, customer support and ongoing product development functions along with providing general working capital.

The Admission Document regarding the proposed deal terms, the Placing and the Open Offer was published on 15 February 2017.

Mark Johnson

Director

3 March 2017

Introduction

ATTRAQT continues to deliver strong operational and financial progress. We have grown our client base in both the UK and North America, reaching out to larger multi-national retailers as evidenced by our increasing average new client deal value and gross margin.

Business model

The Group's business model is based on a recurring monthly service fee plus a one-off set-up fee and additional follow-on project fees. Clients contract up for a minimum of 12 months, with some larger clients signing up for a longer period of two years.

The current sales model is based on direct sales via a dedicated sales team. Due to the importance of the functionality provided by the Platform to our clients, client retention is strong with most clients automatically renewing at the end of the contractual term.

Growth strategy

The Group's objective is to become the global leader in online visual merchandising.

Throughout the year ATTRAQT has continued to build on its business plan, founded on four key elements:

1) Invest in sales and marketing to grow client base and recurring revenue;
2) Expand the Group's production capacity to keep pace with accelerating sales;
3) Develop strategic partnerships – both sales and technology – to accelerate sales growth and extend our product offering; and
4) Extend the capabilities of the platform through continued investment in research and development, adding new features and creating new products to initiate new revenue streams.

Review of Sales & Operations

ATTRAQT continues to deliver strong operational results, with 42 deals during the year, of which 31 were new clients, bringing the total to 121 (FY15: 110). The Company also delivered 37 new customer implementations, bringing the total number of live client sites to 185 (FY15: 154).

The Group experienced an outage at its data centre during H1, which was quickly addressed and subsequently transitioned to a new data centre provider. There was an increase in customer attrition of nine clients directly as a result of the outage.

A key focus for ATTRAQT remains the development of the North American business. Progress has been encouraging as demonstrated by client wins in the region, including Eddie Bauer and Volcom. Given the size of the market we believe there are still a significant number of opportunities available to expand ATTRAQT's footprint in the region.

The Group maintained investment in upgrading the Platform, with seven new core code releases in the period including by example:

- **Hypercaching**: Hypercaching gives ATTRAQT the option to deploy its platform with an extra layer where product details are cached at the rules engine level. This means that the merchandising database and search engine do less work and only have to deliver product ID results to the hypercache layer once. The product cache layer adds all the product information to the response that goes to the client rather than it having to be retrieved from the search and merchandising database. The product ordering (balance factors) and guided navigation also come from the product cache layer. This provides the platform with significant scale and performance advantage.

- **Built-in AB Testing**: Allows the client to have ATTRAQT automatically split traffic between multiple merchandising rules and report on comparative conversion rates of each test.

- **Rule Synchronisation:** Functionality to copy merchandising rules so clients with multiple instances/regions save time setting up rules that they want to be the same across regions.

Financial Review

Total revenue increased by 22.6 percent to £3.6m (FY15: £2.9m), as new customers were added and existing customers commissioned additional sites. The recurring monthly revenue from live clients rose 21.7 percent from £2.7m to £3.2m, now representing 90 percent (FY15: 91 percent) of total Group revenue. The Exit Rate (year-end contracted annualised billing) for 2016 was up 15% percent to £3.9m.

The Group showed good management of costs to deliver recorded losses before tax and at EBITDA level in line with management expectations. Losses before tax increased to £1.9m (FY15: £0.7m) and adjusted EBITDA losses for the year increased to £1.6m (FY15: £0.2m). The planned investment of the proceeds of the 2015 fundraising in expanding sales, marketing and production lead to the EBITDA losses increasing in the short-term, reflecting investment in the Group's operational expansion; however, the rate of growth is expected to accelerate as a result, with a return to EBITDA profitability in the mid-term.

ATTRAQT continues to invest in technical enhancements to the existing product offerings and in new products. Some of this cost is capitalised and some is absorbed as part of the operating costs of the business.

Outlook

ATTRAQT has seen another year of sustained growth of revenues and client base in the UK and North America, whilst at the same time increasing gross margin. We have signed 42 new deals in the period, including several marquee retailers and have delivered a 22 percent increase in revenue for the year.

Our objective is to deliver strong profitable growth and become the technology partner of choice for leading online retailers. With an exit rate of £3.9m, good growth in recurring revenue and a strong sales pipeline for H1 2017, we are confident in the continued success of ATTRAQT for 2017 and the foreseeable future.

André Brown
Chief Executive Officer
3 March 2017

Nicholas Habgood
Non-Executive Chairman

Nick is the Founder and Managing Partner of Azini Capital Partners LLP, a London based private equity firm that specialises in providing liquidity for historical investors and shareholders and investing in growth stage private and smaller public technology companies. Nick has substantial board level experience helping technology companies execute on growth opportunities.

Prior to founding Azini Capital Nick worked for LMS Capital, the venture capital division of London Merchant Securities plc. He has also held senior operational positions in Mondex International (part of MasterCard International) where he founded and was CEO of the MULTOS business, Mars Electronics International (a part of the Mars Group) and Twiflex Limited (part of GKN and Tomkins). Nick has a Master's Degree in Mechanical Engineering (M.Eng) from the University of Bristol.

Nick is also on the boards (as a NED) of Kalibrate Technologies plc, 1Spatial plc and a number of other private companies.

André Brown
Co-Founder and Chief Executive Officer

André, the cofounder and chief executive officer of the Company, has over 25 years' experience in developing innovative technologies. He has been instrumental in the development of the Existing Group and has helped to grow its customer base from zero to a list of well-known names in the retail arena.

Previous positions include group mergers & acquisitions director for Nettec plc, strategic alliances director for MAID plc, chief executive officer of the ecommerce division of Dialog plc and one of the leaders of the team that originally brought Adobe Acrobat to the UK marketplace.

André holds a BSc. in economics from the London School of Economics and qualifications in corporate finance and marketing innovative technologies from the London Business School and Harvard Business School, respectively.

Mark Johnson
Chief Financial Officer

Mark joined the Company in August 2015. He has been Finance Director of several entrepreneurial and high-growth businesses, and has over 20+ years of commercially driven experience. Before joining ATTRAQT, Mark was Commercial Director at Celador Entertainment, the internationally renowned media firm, where he oversaw all the finance, legal and back-office functions including all M&A.

Mark has an honours degree in Accountancy and Financial Analysis from the University of Newcastle-Upon-Tyne and has been CIMA qualified since 1995.

Ivor Dunbar
Independent Non-Executive Director and Deputy Chairman

Ivor is the chairman of Project Trust. He lives in London and was a nonexecutive director of Powa Technologies Limited (a financial technology company) and Bluefield Harrier Limited (a solar power company).

Educated at Inverness Royal Academy and University College of Wales in Aberystwyth, Ivor has spent most of his professional career as an investment banker with Barclays de Zoete Wedd and Deutsche Bank.

Ivor is a capital markets specialist and at Deutsche Bank he was head of global capital markets, co head of investment banking and a member of the executive committee of Deutsche Bank's corporate and investment banking division.

Ed Ewing
Independent Non-Executive Director

In a career spanning three decades, Ed has worked extensively as a senior executive in the technology, media and telecommunications sectors in management, sales and product/service development roles.

Previous international roles have included working for Apple in Europe, strategic planning and programme director for Scoot.com plc and managing operations in Northern Europe for Quark Inc. He was responsible for establishing the digital division for global publisher Boat International Media, including successfully launching boatinternational.com and establishing it as one of the leading online market place for preowned superyachts.

Along with advising a number of clients on strategy and business development, Ed has a portfolio of companies based in North Norfolk, and most recently he was instrumental in raising over £750,000 in funding from the Heritage Lottery Fund and English Heritage to help secure the future of one of the UK's youngest ancient monuments.

Robert Fenner
Non-Executive Director

Robert is a partner in the international law firm Taylor Wessing LLP and has been a solicitor for 26 years. He is a corporate lawyer specialising in advising companies on all aspects of corporate law including listings and mergers and acquisitions and has particular expertise in the technology sector.

Corporate Governance Report
for the year ended 31 December 2016

The Board has reviewed the requirements of the UK Corporate Governance Code and although it is not statutorily mandatory to comply with the code the Group continues to work to implement it to the extent that it considers it appropriate to a company of its size and nature. The remuneration and audit committees were established following the Company's admission to AIM on 19 August 2014.

The Board of Directors
The details of the Group's board, together with the audit and remuneration committees, are set out on pages 16 to 17 and 20 to 22. The board meets monthly and is responsible for the overall management of the Group's long term strategy and objectives and monitoring of performance. It oversees operations and ensures the maintenance of sound internal controls and risk management systems. Certain matters are specifically reserved for the approval of the board, including approval of significant capital expenditure, material business contracts and corporate transactions.

To enable the board to discharge its duties all directors receive appropriate and timely information. The CEO has regular dialogue with all the directors and provides written updates to them at least twice a month.

At the end of the year the board consisted of two executive directors, a non-executive chairman and three independent non-executive directors.

Directors' remuneration
As set out on page 22 the remuneration of the executive directors is determined by the remuneration committee. The remuneration of the non-executive directors is determined by the chairman and the executive directors. The directors recognise the importance of performance related incentives and executive directors are paid bonuses as deemed appropriate by the remuneration committee.

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

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

Accountability and audit
Financial reporting
The chief executive's statement contains detailed reviews of the performance and financial position of the Group. The Group uses this and the directors' report on pages 23 to 25 to present and explain the Group's financial position and performance. The directors' responsibility for the financial statements is described on page 24.

Internal control
The board confirms that it has established the procedures necessary to implement the guidance set out in the Financial Reporting Council's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". The identification, evaluation and management of risk has been considered by the board. It is intended that this will continue to be kept under constant review and will be considered at each board meeting. The board continues to take steps to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management and board attention.

The directors acknowledge their responsibilities for the Group's system of internal control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss. The board has considered the major business risks and the control environment. Important control procedures, in addition to the day to day supervision of the business, include comparison of monthly management accounts to the budget.

Audit committee and auditors

The audit committee comprises Ivor Dunbar (chairman) and Ed Ewing, both non-executive directors. The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of an executive director, if required. The audit committee may examine any matters relating to the financial affairs of the Group and the Group's audit. This includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment of auditors and their fees and other such related functions as the board may require.

Audit committee: composition and terms of reference

The audit committee is chaired by Ivor Dunbar and its other member is Ed Ewing. The board has considered the independence of these directors and although Mr. Dunbar has a holding of 1.9% of the Company it considers him, and Mr. Ewing (who has a holding of 0.18% of the Company), to be independent non-executive directors. It meets as required and specifically to review the Interim Report and Annual Report and to consider the stability and effectiveness of the internal control processes. The audit committee reviews the findings of the external auditor and reviews accounting policies and material accounting judgements.

The independence and effectiveness of the external auditor is reviewed annually. The audit committee is able to meet separately with the external auditor without any executive director present to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. As well as providing audit related services the auditors also provide taxation advice. Fees in respect of audit and tax service are disclosed in Note 6 of the Notes to the Group Financial Statements. Fees for non-audit services paid to the auditors are not deemed to be of such significance as to impair their independence and therefore the audit committee considers that the objectivity and independence of the auditors is safeguarded.

Internal control

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

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

The main features of the system of internal control are:

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

Remuneration committee: composition and terms of reference

The remuneration committee is chaired by Ed Ewing and its other member is Ivor Dunbar, both of whom are independent non-executive directors. The Group's chairman may attend committee meetings as an observer. The remuneration committee is expected to meet not less than once a year and at such other times as required.

It has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Group's chief executive, chairman, and the executive directors, the Group secretary, senior managers and such other members of the executive management as it is designated to consider. The remuneration committee also has responsibility for determining (within the terms of the Group's policy and in consultation with the chairman of the Board and/or the chief executive officer) the total individual remuneration package for each executive director, the Group secretary and other designated senior executives (including bonuses, incentive payments and share options or other share awards). The remuneration of non-executive directors is a matter for the chairman and executive directors of the Board. No director or manager is allowed to partake in any discussions as to their own remuneration. In addition, the remuneration committee has the responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

Policy on Executive Directors' remuneration

Executive remuneration packages are designed to attract and retain executives with the qualities and skills needed to run the group. The Remuneration Committee recommends to the Board remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to AIM companies and data on companies of similar size and in similar industries.

There are three main elements of the remuneration package for Executive Directors and staff:

i. **Basic salaries and benefits in kind**
Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind comprising death in service and private medical insurance are available to all staff and Executive Directors.

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

iii. **Bonus Scheme**
The Group has a discretionary bonus scheme for staff and Executive Directors.

Service contracts

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

Policy on Non-Executive Directors' remuneration

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

The emoluments of the Directors were as follows (Audited):				
	Year ended 31 December 2016			Year ended 31 December 2015
	Salary & Directors' fees	Benefits in kind	Total	Total
	£	£	£	£
Executive directors				
Andre' Brown (i)	231,100	2,926	234,026	295,157
Mark Johnson	100,833	-	100,833	23,974
David Stirling (ii)	-	-	-	115,125
Non-executive directors				
Ivor Dunbar	5,000	-	5,000	-
Ed Ewing	20,000	-	20,000	20,000
Robert Fenner	-	-	-	-
Nick Habgood (iii)	20,000	-	20,000	-
D M Wagner (iv)	-	-	-	-
Total	376,933	2,926	379,859	454,256

No share option charges were recognised in respect of any directors in 2016.

(i) Includes a discretionary bonus of £25,100 (2015: £50,000).
(ii) Resigned 25 September 2015
(iii) Nick Habgood is a partner in Azini Capital Partners, and the fee for his services is paid to Azini. See Note 19.
(iv) Resigned 15 June 2016

The above fees and emoluments exclude reimbursed expenditure incurred in the conduct of Group business.

Relative importance of spend on pay

The following shows the Group's relative expenditure on employee pay compared to all other distributions:

	2016 £'000		**2015 £'000**	
Employee remuneration costs	2,775	100%	2,033	100%
Dividends paid on ordinary shares	-	0%	-	0%
	2,775		2,033	

The directors present their report with the financial statements of the Group and the Company for the year ended 31 December 2016.

Results

The Group made a loss after tax in 2016 of £1,791,000 (2015 - £652,000) on turnover of £3,569,000 (2015 - £2,911,000) representing a loss of £0.06 per share (2015: £0.03). The net cash used in operating activities was £1,524,000 (2015 - £181,000).

Dividends

The board do not propose the payment of a dividend for the year.

Directors

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

- Nick Habgood
- André Brown
- Ivor Dunbar
- Edward Ewing
- Robert Fenner
- Mark Johnson
- Dan Wagner (resigned 15 June 2016)

Qualifying third party indemnity provisions

The Group has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

The Group purchases directors and officers insurance against their cost in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

Financial instruments

Details of the Group's risk management objectives and policies together with its exposure to financial risk are set out in Note 3 to the financial statements.

Going concern

On 27 January 2017, the Group announced that it has entered a conditional agreement to acquire the whole of the issued share capital of Fredhopper B.V from SDL plc, for an aggregate cash consideration of £25 million. The Directors have received firm placing letters for the share issue of £27.5m announced on 30 January 2017, subject only to the existing Shareholders approval of the transaction and of the Group being readmitted to AIM. The Directors have received irrevocable undertakings from over 75 percent of existing shareholders to vote in favour of the resolution to proceed with the transaction at the General Meeting which is scheduled for 6 March 2017.

As part of the readmission process the Directors have produced cashflow forecasts for the enlarged group that show the Group will have sufficient funds to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. The Directors are confident that the transaction will complete, though there can be no certainty. Should the transaction not complete, the Group would be faced with costs of approximately £1 million. Should this occur the Group would proceed to raise additional funds to pay these costs, though there is no certainty that these additional funds could be raised.

These conditions indicate there are material uncertainties that may cast significant doubt on the group and the company's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge their liabilities in the normal course of business. The Directors consider that given the circumstances the transaction will complete as planned and therefore they have prepared the financial statements on a going concern basis.

Events after the reporting period

On 27 January 2017, the Group entered in to a conditional agreement to acquire the entire issued share capital of Fredhopper BV from SDL PLC for £25m less working capital adjustments and on 30 January the Group announced a conditional Firm Placing to raise £27.5 million (before expenses).

The transaction is subject to the approval of Shareholders at the General Meeting scheduled to take place on 6 March 2017.

Listing

The Group's ordinary shares have been traded on the London Alternative Investment Market (AIM) since 19 August 2014. N+1 Singer are the Group's nominated advisors and brokers. The closing mid-market share price at 29 December 2016 was 51.6p.

Statement of directors' responsibilities

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

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

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

Website publication

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

Key future developments

The Group plans to continue its development of both the UK and North American markets building on its success in signing new clients in 2016.

It will also continue the research and development of new products and product enhancements using its internal expertise and jointly with technology partners. The selection of developments to be undertaken is based on feedback from existing and prospective clients and prioritised according to the return they can be expected to generate.

Statement as to disclosure of information to auditors

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

Auditors

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

Mark Johnson
Director

Date: 3 March 2017

TO THE MEMBERS OF ATTRAQT GROUP PLC

We have audited the financial statements of Attraqt Group Plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position, the company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group and the company's ability to continue as a going concern. The completion of the acquisition of Fredhopper B.V. is conditional subject to the existing Shareholders approval of the transaction and of the Group being readmitted to AIM. Should the transaction not complete, the Group would be faced with costs of approximately £1 million. Should this occur the Group would proceed to raise additional funds to pay these costs, though there is no certainty that these additional funds could be raised. These conditions along with other matters disclosed in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the group and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as going concerns.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Andrew Viner *(senior statutory auditor)*
For and on behalf of ***BDO LLP****, statutory auditor*
London
United Kingdom
Date: 3 March 2017

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

ATTRAQT Group PLC

Consolidated statement of comprehensive income
For the year 31 December 2016

	Note	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Revenue	4	**3,569**	**2,911**
Cost of sales		**(490)**	**(480)**
Gross profit		**3,079**	**2,431**
Administrative expenses		**(5,023)**	**(3,045)**
Exceptional administrative expense	5	**-**	**(118)**
Total administrative expenses		**(5,023)**	**(3,163)**
Loss from operations	6	**(1,944)**	**(732)**
Finance income		**2**	**-**
Loss before tax		**(1,942)**	**(732)**
Taxation	8	**151**	**80**
Loss for the year		**(1,791)**	**(652)**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**14**	**(6)**
Total other comprehensive income/(loss)		**14**	**(6)**
Total comprehensive loss for the year attributable to shareholders of the parent		**(1,777)**	**(658)**
Loss per share attributable to the ordinary equity holders of the company			
Basic and diluted EPS	9	**(6.6p)**	**(3.1p)**

The notes on pages 33 to 51 form part of these financial statements.

Consolidated statement of financial position
As at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	**39**	**27**
Intangible assets	11	**247**	**170**
		286	**197**
Current assets			
Trade and other receivables	13	**537**	**473**
Corporation tax receivable	13	**214**	**61**
Cash and cash equivalents	3	**1,157**	**2,996**
		1,908	**3,530**
Total assets		**2,194**	**3,727**
Liabilities			
Current liabilities			
Trade and other payables	14	**774**	**700**
Total liabilities		**774**	**700**
NET ASSETS		**1,420**	**3,027**
Issued capital and reserves attributable to owners of the parent			
Share capital	16	**269**	**269**
Share premium		**4,253**	**4,253**
Merger reserve		**1,457**	**1,457**
Share based payment reserve	17	**647**	**477**
Foreign exchange reserve		**(18)**	**(32)**
Retained earnings		**(5,188)**	**(3,397)**
TOTAL EQUITY		**1,420**	**3,027**

The financial statements were authorised for issue by the Board of Directors on 3 March 2017 and were signed on its behalf by:

Mark Johnson
Director

Company Number 8904529

The notes on pages 33 to 51 form part of these financial statements.

ATTRAQT Group PLC

Consolidated statement of cash flows
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss for the year		**(1,791)**	**(652)**
Adjustments for:			
Depreciation of property, plant and equipment	10	**26**	**28**
Amortisation of intangible fixed assets	11	**198**	**139**
Income tax credit	8	**(151)**	**(80)**
Share based payment expense	17	**170**	**255**
Foreign exchange loss		**14**	**(6)**
		(1,534)	**(316)**
Increase in trade and other receivables		**(64)**	**(163)**
Increase in trade and other payables		**74**	**160**
Cash used in operations		**(1,524)**	**(319)**
Income taxes received		**-**	**138**
Interest		**(2)**	**-**
Net cash flows from operating activities		**(1,526)**	**(181)**
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(38)**	**(5)**
Development of intangibles	11	**(275)**	**(189)**
Net cash used in investing activities		**(313)**	**(194)**
Cash flows from financing activities			
Issue of ordinary shares, net of issue costs		**-**	**3,064**
Net cash from investing and financing activities		**(313)**	**2,870**
Net (decrease)/ increase in cash and cash equivalents		**(1,839)**	**2,689**
Cash and cash equivalents at beginning of year		**2,996**	**307**
Cash and cash equivalents at end of year	3	**1,157**	**2,996**

The notes on pages 33 to 51 form part of these financial statements.

ATTRAQT Group PLC

Consolidated statement of changes in equity
for the year ended 31 December 2016

	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 2015	**206**	**1,252**	**1,457**	**222**	**(26)**	**(2,745)**	**366**
Loss for the year	-	-	-	-	-	(652)	(652)
Translation of foreign entity	-	-	-	-	(6)	-	(6)
Total comprehensive Loss for the year	**-**	**-**	**-**	**-**	**(6)**	**(652)**	**(658)**
Contributions by and distributions to owners							
Share based payment charge	-	-	-	255	-	-	255
Issue of share capital	63	3,222	-	-	-	-	3,285
Issue costs	-	(221)	-	-	-	-	(221)
Total contributions by and distributions to owners	**63**	**3,001**	**-**	**255**	**-**	**-**	**3,319**
31 December 2015	**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**

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 subsidiary company into the functional currency of the Group.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

The notes on pages 33 to 51 form part of these financial statements.

1. Accounting policies

General information

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

The principal trading subsidiaries are ATTRAQT Limited and ATTRAQT Inc.

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

The registered number of the company is 8904529.

Basis of preparation

The consolidated financial statements are for the year ended 31 December 2016. 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 2016 and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention and are presented in Sterling rounded to the nearest thousand except where indicated otherwise.

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

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

Going concern

On 27 January 2017, the Group announced that it has entered a conditional agreement to acquire the whole of the issued share capital of Fredhopper B.V from SDL plc, for an aggregate cash consideration of £25 million. The Directors have received firm placing letters for the share issue of £27.5m announced on 30 January 2017, subject only to the existing Shareholders approval of the transaction and of the Group being readmitted to AIM. The Directors have received irrevocable undertakings from over 75 percent of existing shareholders to vote in favour of the resolution to proceed with the transaction at the General Meeting which is scheduled for 6 March 2017.

As part of the readmission process the Directors have produced cashflow forecasts for the enlarged group that show the Group will have sufficient funds to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. The Directors are confident that the transaction will complete, though there can be no certainty. Should the transaction not complete, the Group would be faced with costs of approximately £1 million. Should this occur the Group would proceed to raise additional funds to pay these costs, though there is no certainty that these additional funds could be raised.

These conditions indicate there are material uncertainties that may cast significant doubt on the group and the company's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge their liabilities in the normal course of business. The Directors consider that given the circumstances the transaction will complete as planned and therefore they have prepared the financial statements on a going concern basis.

Changes in accounting policies

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

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

The Directors are aware that IFRS 15 *Revenue from Contracts with Customers* is effective on 1 January 2018. The directors have assessed the application of IFRS 15 and have concluded, once effective, the standard will not have a material impact on the results of the Group.

Basis of consolidation

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

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

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 two streams:

- Recurring 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.
- One-off fees – work is undertaken for existing clients to expand or upgrade the service they receive and this is billed for separately. Revenue is recognised on stage of completion on this work. Stage of completion is calculated based on estimated hours to complete the work versus the number of hours already done.

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.

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 liabilitie*s

Other financial liabilities include the following items:

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

Leases

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

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

Share capital

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

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

Income taxes

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

Deferred taxation

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

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

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

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

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

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

Segmental reporting

For the purpose of IFRS 8, the chief operating decision maker takes the form of the Board of Directors. The Directors' opinion is that the business of the group is to provide cloud based E-commerce solutions. Based on this, there is considered to be one reportable segment. The internal and external reporting is on a consolidated basis with transactions between group companies eliminated on consolidation. Therefore, the financial information of the single segment is the same as that set out in the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position and statement of cash flows.

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over 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.

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.

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

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.

2. Significant accounting judgements and estimates

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

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.

3. 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

3. Financial instruments - Risk Management (continued)

A summary of the financial instruments held by category is provided below.

Financial assets

	2016 £'000	2015 £'000
Current		
Trade receivables	340	369
Other receivables	85	14
	425	383
Cash and cash equivalents	1,157	2,996

All financial assets held by the Group at 31 December 2016 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

	2016 £'000	2015 £'000
Trade payables	203	83
Other payables	189	338
	392	421

All financial liabilities held by the Group at 31 December 2016 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 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.

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.

3. Financial instruments - Risk Management (continued)

Cash at bank

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

	2016 £'000	2015 £'000
Barclays Bank Plc	1,136	2,987
Citibank	21	9

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

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than the functional currency. The Group's policy is, where possible, to allow entities to settle liabilities denominated in their functional currency (primarily Sterling Pounds) with the cash generated from their own operations in that currency.

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital. The Group manages the risk that it will encounter difficulty in meeting its financial obligations as they fall due by forecasting its short term cash position on a regular basis.

The Group'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.

3. Financial instruments - Risk Management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

At 31 December 2015	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	421	-	-	-	-
Total	421	-	-	-	-

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	-	-	-

4. Revenue

Revenue arises from the rendering of services	2016 £'000	2015 £'000
Recurring revenues	3,205	2,652
One-off fees	364	259
Total rendering	3,569	2,911

There are three customers contributing 12%, 9% and 8% respectively to Group revenues. The Directors are not concerned about the continuance of these relationships.

Geographical split of revenue	2016 £'000	2015 £'000
UK	3,279	2,785
North America	290	126
Total revenue	3,569	2,911

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

5. Exceptional administrative expenses

There were no exceptional administrative expenses for 2016 (2015: £118,000 being (i) £61,000 of costs incurred in respect of the secondary purchase of 5,000,000 shares in December 2015 done in conjunction with the December 2015 placing of 6,316,346 new shares on AIM, and (ii) £57,000 of costs related to the non-recurring award of a bonus to Andre Brown regarding the IPO in 2014 and the placing in December 2015.)

6. Loss from operations

Loss from operations is taken after taking account of the following items:

	2016 £'000	2015 £'000
Employee benefits (see note 7)	2,775	2,033
Depreciation of property, plant and equipment	26	28
Amortisation of intangible assets	198	139
Operating lease expense	335	209
Research and Development costs expensed	198	139
Audit and non-audit services:		
Fees payable to the company's auditors for the audit of the Group annual accounts:		
- Company annual accounts	18	16
- Group annual accounts	31	27
Fees payable to the company's auditor and its associates for other services:		
Tax services	10	8

7. Employee benefit expenses

	2016 £'000	2015 £'000
Staff costs (including directors) comprise:		
Wages and salaries	2,480	1,837
Social security contributions and similar taxes	295	196
	2,775	2,033

The charge related to share based payments in 2016 was £170,000 (2015 - £255,000)

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.

	2016 £'000	2015 £'000
Salary, Director fees, bonus and benefits in kind	380	380
Share based payments (i)	-	74
	380	454

(i) Relates to David Stirling who resigned as a director on 25 September 2015.

The Employer's National Insurance contributions expensed in the period relevant to the Key management personnel compensation was £52,000 (2015: £52,000).

The remuneration of the highest paid director is shown in the report of the Remuneration Committee.

Staff Numbers

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

	2016	2015
Sales	11	9
Technical	24	15
Management (including directors)	7	6
Administration	2	1
	44	31

8. Income tax credit

	2016 £'000	2015 £'000
Current tax credit		
Current tax on loss for the year	(151)	(61)
Adjustment to tax in respect of previous periods	-	(19)
Total tax credit	(151)	(80)

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:

	2016 £'000	2015 £'000
Loss for the year	(1,942)	(732)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 20% (2015 - 20.3%)	(389)	(148)
Expenses not deductible for tax purposes	37	17
Depreciation for period (less than)/in excess of capital allowances	(13)	(7)
Unrelieved tax losses arising in the period	124	86
Additional deduction for R&D expenditure	(119)	(85)
Adjustment to tax in respect of previous periods	-	(19)
Surrender of tax losses for R&D tax credit refund	92	66
Other deductions arising in the period	117	10
Total tax credit	(151)	(80)

9. Loss per share

Numerator	2016 £'000	2015 £'000
Loss for the year and loss used in basic and diluted EPS	(1,791)	(652)
Denominator		
Weighted average number of shares used in basic and diluted EPS	26,942,340	21,127,841
Loss per share – basic and diluted	(6.6p)	(3.1p)

At the year end the Group had 1,341,680 exercisable share options (2015: 1,341,680), however in accordance with IAS 33 where there is a loss for the year, there is no dilutive effect of options and therefore there is no difference between the basic and diluted loss per share.

10. Property, plant and equipment

	2016			2015		
Cost	**Plant and machinery £'000**	**Fixtures and fittings £'000**	**Total £'000**	**Plant and machinery £'000**	**Fixtures and fittings £'000**	**Total £'000**
Balance at 1 January	194	2	196	189	2	191
Additions	36	2	38	5	-	5
Balance at 31 December	230	4	234	194	2	196
Accumulated depreciation and impairments						
Balance at 1 January	167	2	169	139	2	141
Depreciation charge for the year	26	-	26	28	-	28
Balance at 31 December	193	2	195	167	2	169
Net book value						
At 31 December	**37**	**2**	**39**	**27**	**-**	**27**
At 31 December prior year	27	-	27	50	-	50

11. Intangible assets

	2016 Software	2015 Software
Cost	**£'000**	**£'000**
Balance at 1 January	974	785
Additions	275	189
Balance at 31 December	1,249	974
Accumulated amortisation		
Balance at 1 January	804	665
Amortisation charge for the year	198	139
Balance at 31 December	1,002	804
Net book value		
At 31 December	**247**	**170**
At 31 December prior year	170	120

12. Investments in subsidiaries

As at 31 December 2016, the subsidiaries of ATTRAQT Group PLC, all of which have been included in these consolidated financial statements, are as follows:

Name of subsidiary	Shareholding	Country of incorporation and principle place of business	Registered Office
ATTRAQT Limited	100%	UK	3 Waterhouse Square 138 Holborn London EC1N 2SW
ATTRAQT Inc. (held through ATTRAQT Limited)	100%	USA	125 South Clark Street 17th Floor Chicago IL 60603

Investments in subsidiaries, associates and joint ventures are held in the Statement of Financial Position of the Company at historic cost less any allowance for impairment.

13. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	514	392
Less: allowance account for bad and doubtful debts	(174)	(23)
	340	369
Prepayments and accrued income	112	90
Corporation tax recoverable	214	61
Other receivables	85	14
Total trade and other receivables	751	534

Invoices for services rendered are due immediately on the rendering of the invoice, however the majority of customers settle debts within 45 days of the date of the invoice.

As at 31 December 2016 trade receivables of £472,000 (2015: £384,000) were technically past due of which £174,000 were provided against (2015: £23,000). The carrying value of trade debtors relate to the customers with no history of default. Payment of the overdue receivables is expected in due course. The ageing analysis of these overdue receivables is as follows:

	2016 £'000	2015 £'000
Up to 3 months	284	351
3 to 6 months	7	10
6 to 12 months	7	-
Over 12 months	-	-
	298	361

13. Trade and other receivables (cont.)

As at 31 December 2016 trade receivables of £174,000 (2015: £23,000) 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:

	2016 £'000	2015 £'000
At 1 January 2016	23	3
Released during the year	(21)	(3)
Provided during the year	172	23
At 31 December 2016	174	23

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

	2016 £'000	2015 £'000
Trade payables	203	83
Accrued expenses	189	338
Deferred income	104	125
Other payables - tax and social security payable	278	154
Total trade and other payables	774	700

15. Deferred tax

No deferred tax assets have been recognised due to uncertainties over their ultimate recoverability.

16. Share capital

Allocated, called up and fully paid

	2016 Number	2016 £'000	2015 Number	2015 £'000
Ordinary shares of £0.01 each				
At 1 January	26,942,340	269	20,625,994	206
Shares issued for cash during the year	-	-	6,316,346	63
At 31 December	26,942,340	269	26,942,340	269

17. Share based payment

The company operates an EMI share option scheme for employees. The 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:

	2016	WAEP	2015	WAEP
	Number	**Price (pence)**	**Number**	**Price (pence)**
Outstanding at the beginning of the year	2,702,569	40.86	1,341,680	31.59
Granted during the year	-	-	1,360,889	50.00
Outstanding at the year end	2,702,569	40.86	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:

			2016		2015	
Date of Grant	**Expiry Date**	**Exercise Price (p)**	**Share options (Number)**	**Remaining life (Years)**	**Share options (Number)**	**Remaining life (Years)**
24 July 2013	24 July 2023	31.59	986,500	7	986,500	8
29 May 2014	29 May 2024	31.59	177,590	8	177,590	9
19 August 2014	19 August 2024	31.59	177,590	8	177,590	9
25 September 2015	25 September 2025	50.00	1,360,889	9	1,360,889	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 in 2015. 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 the 5 year period prior to the grant date by reference to the daily share price of comparable listed companies.
- Expectations of staff retention over the vesting period have been calculated by reference to the three year period prior to the grant date.

17. Share based payment (cont.)

No options were granted during the year.

Options granted in 2015:	2015
Date	25 September 2015
No.	1,360,889
Fair Value per Share (p)	42.0
Share Price on Grant Date (p)	63.5
Exercise Price (p)	50.0
Vesting Period	3 Years
Staff Retention Factor	90%
5 Year Volatility	100%
Risk Free Rate	0.583%
Total Fair Value (£)	514,783

The total expense recognised during the year by the Group, for all schemes, was £170,000 (2015: £255,000).

The weighted average remaining life of the options outstanding at the end of the year was 7.8 years (2015: 8.8 years).

No options were exercised during the year.

18. Leases

Operating leases - lessee

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

Other operating leases:

	2016 £'000	2015 £'000
Not later than one year	183	19
Later than one year and not later than five years	-	5
Later than five years	-	-
	183	24

19. Related party transactions

Trading 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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Powa Technologies Limited (i)	30	129	33	169
Azini Capital Partners (ii)	-	-	20	-
Directors' spouse (iii)	-	-	19	-

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Powa Technologies Limited (i)	5	12	17	17
Azini Capital Partners (ii)	-	-	-	-
Directors' Spouse (iii)	-	-	-	-

(i) During the year Mr D M Wagner was a director of Powa Technologies Limited.
(ii) Nick Habgood is a partner in Azini Capital Partners.
(iii) Andre Brown's spouse was paid a salary as Event Co-ordinator.

None of the amounts above are secured against any assets of the Group.

Sales of services to related parties were made at the Group's usual list prices. 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.

The Group made a provision in relation to bad debts for Powa Technologies Limited for £5,000. There were no other bad or doubtful debts in respect of related party debtors. No guarantee has been given or received during 2016 regarding related party transactions.

20. Events after the balance sheet date

On 27 January 2017, the Group entered in to a conditional agreement to acquire the entire issued share capital of Fredhopper B.V from SDL plc for £25m less working capital adjustments and on 30 January the Group announced a conditional Firm Placing to raise £27.5 million (before expenses). The net proceeds of the placing will be used primarily to fund the acquisition.

Trading in the shares of the Group was suspended on 30 January 2017. The acquisition and the placing are conditional on the Group being readmitted to AIM.

21. Capital commitments

At 31 December 2016 the Group had no capital commitments (2015: £nil).

Company statement of financial position
As at 31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Investments	2	808	638
Current assets			
Other receivables	3	3,606	3,813
Total assets		4,414	4,451
Current liabilities			
Trade and other payables	4	42	15
Total liabilities		42	15
Net assets		4,372	4,436
Issued capital and reserves attributable to owners of the parent			
Share capital	5	269	269
Share premium		4,253	4,253
Share based payments reserve		647	477
Retained earnings		(797)	(563)
Total equity		4,372	4,436

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 £234,000 (2015: £218,000).

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

Mark Johnson
Director
Date: 3 March 2017

Company statement of changes in equity
for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
1 January 2015	206	1,252	222	(345)	1,335
Loss for the year	-	-	-	(218)	(218)
Total comprehensive Loss for the year	-	-	-	(218)	(218)
Share based payment reserve	-	-	255	-	255
Issue of share capital	63	3,001	-	-	3,064
31 December 2015	269	4,253	477	(563)	4,436
Loss for the year	-	-	-	(234)	(234)
Total comprehensive Loss for the year	-	-	-	(234)	(234)
Share based payment reserve	-	-	170	-	170
31 December 2016	269	4,253	647	(797)	4,372

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

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 2016 £'000	At 31 December 2015 £'000
As at 1 January	638	383
Additions	170	255
At 31 December	808	638

2. Investments (continued)

As at 31 December 2016, the subsidiaries of ATTRAQT Group PLC are as follows:

Name of subsidiary	Shareholding	Country of incorporation and principle place of business	Registered Office
ATTRAQT Limited	100%	UK	3 Waterhouse Square 138 Holborn London EC1N 2SW
ATTRAQT Inc. (held through ATTRAQT Limited)	100%	USA	125 South Clark Street 17th Floor Chicago IL 60603

Investments in subsidiaries, associates and joint ventures are held in the Statement of Financial Position of the Company at historic cost less any allowance for impairment.

3. Other receivables

	2016 £'000	2015 £'000
Amounts owed by group undertakings	3,557	3,768
Prepayments	29	32
Other receivables	20	13
Total trade and other receivables	3,606	3,813

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

4. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	39	15
Other payables	3	-
Total trade and other payables	42	15

All financial liabilities held by the Company at 31 December 2016 are classified as held at amortised cost.

5. Share capital

	Issued and fully paid		Issued and fully paid	
	2016 Number	**2016 £'000**	**2015 Number**	**2015 £'000**
Ordinary shares of £0.01 each				
At 1 January	26,942,340	269	20,625,994	206
Other issues for cash during the year	-	-	6,316,346	63
At 31 December	26,942,340	269	26,942,340	269

6. Share based payments

For details of the share based payments please refer to the Group note 17.

7. Financial instruments

Categories of financial instrument	**2016 £'000**	**2015 £'000**
Current		
Other receivables	3,557	3,768
Total loans and receivables	3,557	3,768
Trade and other payables	42	15
Total trade and other payables	42	15

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 30.

ATTRAQT Group PLC - Company

Company Information
for the year ended 31 December 2016

Country of incorporation

United Kingdom

Legal form

Public limited company

Directors

Nick Habgood
André Brown
Ivor Dunbar
Edward Ewing
Robert Fenner
Mark Johnson

Secretary and registered office

M Johnson
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