

26 July 2018

**ATTRAQT Group plc**  
("ATTRAQT", the "Group" or the "Company")

**Half year results**

ATTRAQT Group plc (AIM: ATQT), a leading provider of online merchandising, onsite search and eCommerce personalisation, announces its unaudited results for the six months ended 30 June 2018.

**Highlights of the period:**

- Revenue increased 11% to £8.4m on a like-for-like basis\*
- Revenue increased 53% to £8.4m on a statutory basis (H1 2017: £5.5m)
- Gross profit increased by 15% to £4.9m on a like-for-like basis\*
- Gross profit increased 27% to £4.9m (H1 2017: £3.9m)
- Gross profit margin for the Group increased by 2% to 59% on a like-for-like basis\*
- Adjusted EBITDA losses were £0.2m (H1 2017: £0.5m losses)
- Losses before tax were £1.8m (H1 2017: £3.1m losses)
- Adjusted basic EPS loss 1.7p per share (H1 2017: 4.0p loss per share)
- Cash at period end of £1.6m (FY 2017: £1.6m)
- Average SaaS revenue per logo up 17% to £83k (2017: £71k)
- Launched two new products: personalised recommendations and visual recommendations
- 89 client renewals including two-year renewal for the Group's largest customer

\* 2017 like-for-like figures include Fredhopper contribution as if it had formed part of the Group during that period.

**Post-period highlights:**

- One new logo signed with two global brands in early July

**Nick Habgood, Chairman, commented,**

*"Over the period we have taken significant steps to drive the underlying operational effectiveness and performance of the business. We have continued to build upon our strong product set, with further product innovation and platform integration to serve a blue-chip client base in an exciting and growing market place.*

*We were very pleased to have Luke join the business in May and are confident that, amongst his wider skill set, his sales and marketing expertise will have a positive impact going forward. The Board is confident that trading for the full year will be in line with current market expectations and with a new management team in place, process improvement initiatives rolling out, and a clear strategy we have the right component to deliver strong profitable growth and returns for all of the Company's stakeholders."*

**For further information, please contact:**

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**About ATTRAQT**

ATTRAQT provides cloud-based SaaS solutions that maximize the conversion of shoppers into buyers via onsite search, online merchandising and eCommerce personalization for online retailers.

ATTRAQT's customer base is predominantly enterprise to mid-size clients, with clients in the UK, Europe, North America and ANZ. For more information, please visit: [www.attraqt.com](http://www.attraqt.com).

## **Chairman's Statement**

Our focus over the period has been consistent with what we communicated at the time of our full year results in March 2018; continuing to lay the groundwork for driving the underlying operational effectiveness and performance of the business. We have taken significant steps along this path and it has been an intensive period for the whole team; however we know this must remain an ongoing process.

There is no doubt that ATTRAQT has fantastic products, a blue-chip client base and is operating in a large and attractive market. ATTRAQT has a number of unique strengths and we are confident our technology continues to deliver best-in-class results for some of the world's most powerful online retailers. However, working within the rapidly changing environment of today it is not enough to have great technology alone. ATTRAQT's aim is to deliver exceptional execution, customer service and brand awareness. We know what we need to do to achieve this, we have a committed and capable team and a significant amount of positive change has been implemented over the period in pursuit of these goals.

The Company has been promoting new offerings in the period and we are also looking to further increase the pace of innovation going forward.

Ultimately, we have a first-class client base, quality products, a growing market opportunity and an engaged team in place to drive the business forward.

## **MANAGEMENT**

We were very pleased to have Luke McKeever join the business in May. Luke's sales and marketing experience, knowledge of the sector, transaction experience, and expertise in growing software businesses is exceptional. It is clearly a benefit that Luke has previously worked with more than one member of the ATTRAQT Board. Luke has spent his time since appointment immersing himself in the business, meeting the teams, customers and partners and has set out his focus for the period ahead and beyond.

Alongside the Board, ATTRAQT benefits from an experienced senior management team, supported by a capable group of middle managers. I am confident that as I now step back into a Non-Executive role, the businesses is in strong and capable hands.

## **REVIEW OF SALES AND OPERATIONS**

ATTRAQT achieved 89 client renewals during the period. Six new logos were also signed during the first half, bringing the total number of client logos to 171 by the end of June 2018 with average contract values continuing to increase. In addition, the order book of professional services work remains solid.

As expected, the Company continued to experience attrition levels in line with the prior period whilst the initiatives to mitigate client attrition and to improve client on-boarding were implemented. Customer Success Management (CSM) and customer retention projects are well underway, with changes to the onboarding process beginning to take effect, and as an initial indicator of success, all logos won in 2017 were live by the end of April 2018.

Alongside this, we are focusing our platform to enable us to extend the market opportunity, ensuring that clients are targeted with a proposition that is appropriate for the size, scale and needs. Part of this is utilising the Group's platforms and capabilities to their strengths, but at the same time refining our marketing and sales efforts to ensure that we are well positioned to effectively target high value potential markets where we have reference-ability.

It is pleasing to have seen the initiatives be rolled out across the Group. The team has performed extremely well, implementing these projects whilst working to refine our messaging to highlight our unique and valuable capabilities. We are very proud of the team for the work they have put in and thank all our shareholders for their support.

## **INTERNATIONAL**

Over the period the Company has been successful in building its position in several of its key target regions, with new client wins globally.

ATTRAQT recognises that there is a sizeable, long-term opportunity for the Group to expand in both North America and Continental Europe and we remain committed to expanding our client base in both territories.

## **MARKET DEVELOPMENTS**

Online retail is a highly competitive industry that is constantly evolving as retailers continue to develop their digital propositions, looking for new ways to drive conversion rates and increase customer loyalty. Ultimately, retailers know they have to have a robust digital strategy and we are well placed to benefit from that trend.

One of the challenges for global retailers is ensuring consistency of merchandising across channels and countries - something that ATTRAQT successfully achieves through its platforms and that is illustrated by its global client wins.

AI is starting to play a vital role in the shopping experience as consumers expect to find the right item for them based on their interests through automation, customisation and recommendation. ATTRAQT has further enhanced its use of machine learning and this is expected to become a key component and value driver.

#### **PLATFORM DEVELOPMENTS AND PRODUCT DEVELOPMENT**

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

As previously announced, we have begun to converge some of our products' underlying technology, for example enhancing the Fredhopper reporting capability by utilising existing Freestyle Merchandising functionality and improving the Freestyle Merchandising data importing by employing the Fredhopper data services platform.

During the period ATTRAQT began to promote two new offerings: personalised recommendations and visual recommendations. ATTRAQT's Visual Recommendations uses artificial intelligence to identify products within imagery. This automates the previously manual and time-consuming tasks, freeing up retailers to focus on other areas. ATTRAQT's Personalized Recommendations utilise Machine Learning to provide not only known users, but also anonymous users with truly relevant recommendations based on their browsing behaviour.

#### **OUTLOOK**

The Board's focus remains the same: building on our strong product set, with further product innovation and platform integration a priority, enabling better connectivity. Driving the underlying operational effectiveness and performance of the business through greater utilisation of data and by putting the customer at the heart of every decision we take. Ensuring our implementation and onboarding process is exceptional is key and at the same time, we will continue to bolster our sales operation, marketing messages, and develop our customer success management team to drive further customer wins and levels of retention. We have made significant steps in the right direction, but there is still work to do and our teams are motivated to do it.

There remain opportunities for the Group to grow: both organically and through acquisition. We are well positioned to drive organic growth by growing average revenue per account through the addition of new targeted accounts, driving customer upsell and extending the capabilities of the platform. At the same, the Group continues to review M&A opportunities with the potential to provide strategic enhancements as they arise, whether by geography, scale or innovation.

eCommerce sales continue to grow both in quantum and in strategic importance - presenting ATTRAQT with an attractive, growing market opportunity. The Company has an excellent technology set which we will continue to enhance and innovate in the coming months and years. Our customer base - including many of the leading eCommerce players - provides us with a strong platform to build from and I am confident that with a new management team in place, process improvement initiatives rolling out, and a clear strategy we have the right component to deliver strong profitable growth and returns for all of the company's stakeholders. The Board is confident that trading for the full year will be in line with current market expectations.

**Nick Habgood**

Chairman

25 July 2018

#### **CHIEF FINANCIAL OFFICER'S STATEMENT**

Total revenue increased by 53% to £8.4m (2017: £5.5m) reflecting the full period impact of the Fredhopper acquisition completed in March 2017. If contribution from Fredhopper is included, on a like-for-like basis, Group revenue increased by 11% when compared to the first half of 2017.

On a similarly comparable basis, SaaS revenues increased by 10% to £7.5m and services revenue increased by 24% to £0.9m. The exit rate (period-end monthly revenue annualised) for SaaS revenue was £14.9m.

Gross margin increased by 27% to £4.9m (2017 £3.9m). On the same comparable basis, gross profit increased by 15% to £4.9m, a gross margin of 59%. The SaaS gross margin increased by 2% points to 67% and the services gross margin increased by 12% points to -6%. The negative services margin is caused by legacy pricing. As these legacy projects are completed, management expects that the services business will begin operating on a profitable basis in the second half of the current financial year.

Comparable operating expenses increased by 16% to £5.1m (2017: £4.4m) reflecting the hiring of 18 heads including a Customer Success team.

Adjusted EBITDA (pre-exceptional) losses of £0.2m (2017: £0.5m loss) were in line with management expectations.

The exceptional costs of £0.5m in the period relate to the change in CEO.

Depreciation and amortisation totalled £0.9m (2017: £0.5m) and increased due to the full period charge for the amortisation of intangibles that were created on the Fredhopper acquisition. There was a share-based payment charge of £0.2m (2017: £0.1m).

Loss before tax was £1.7m (2017: £3.2m loss), with the tax charge in the period £0.1m (2017: £0.1m credit). Therefore, loss for the half year was £1.8m (2017: £3.1m loss).

The cash balance at the end of the period was £1.6m. The cash balance as of 31st December 2017 was £1.6m.

**Eric Dodd**  
Chief Financial Officer

## CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	<b>H1 2018 Unaudited</b>	H1 2017 Unaudited	FY 2017
		<b>Total</b>	Total	Total
		<b>£'000</b>	£'000	£'000
<b>Revenue</b>	3	8,357	5,453	13,615
Cost of Sales		(3,431)	(1,586)	(4,169)
<b>Gross profit</b>		<b>4,926</b>	<b>3,867</b>	<b>9,446</b>
Administration expenses		(6,181)	(5,007)	(11,116)
Exceptional administrative expense	4	(464)	(2,095)	(2,382)
Total administrative expenses		(6,645)	(7,102)	(13,498)
<b>Loss from operations</b>		<b>(1,719)</b>	<b>(3,235)</b>	<b>(4,052)</b>
<b>Loss before tax</b>		<b>(1,719)</b>	<b>(3,235)</b>	<b>(4,052)</b>
Taxation / (Credit)	5	(77)	136	(18)
<b>Loss for the period</b>		<b>(1,796)</b>	<b>(3,099)</b>	<b>(4,070)</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	<b>H1 2018 £'000</b>	H1 2017 £'000	FY 2017 £'000
<b>(Loss) for the period</b>	<b>(1,796)</b>	(3,099)	(4,070)
Foreign exchange translation differences	<b>28</b>	(94)	(239)
<b>Total comprehensive (loss) for the period, attributable to shareholders of the parent</b>	<b>(1,768)</b>	(3,193)	(4,309)
<b>Loss per share attributable to the ordinary equity holders of the company.</b>			
Basic and diluted EPS	6 <b>(1.7p)</b>	(4.0p)	(4.4p)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

	Notes	<b>H1 2018</b> <b>Unaudited</b> <b>£'000</b>	H1 2017 Unaudited £'000	FY 2017 £'000
<b>Non-current assets</b>				
Intangible assets	7	<b>25,803</b>	26,860	26,256
Plant and equipment		<b>176</b>	123	157
<b>Total non-current assets</b>		<b>25,979</b>	26,983	26,413
<b>Current assets</b>				
Trade and other receivables		<b>3,488</b>	3,364	4,543
Cash and cash equivalents		<b>1,645</b>	2,682	1,636
Corporation tax recoverable		-	195	9
<b>Total current assets</b>		<b>5,133</b>	6,241	6,188
<b>Total assets</b>		<b>31,112</b>	33,224	32,601
<b>Current Liabilities</b>				
Trade and other payables		<b>6,767</b>	6,489	7,223
Corporation tax		<b>356</b>	-	-
<b>Total current liabilities</b>		<b>7,123</b>	6,489	7,223
<b>Non-current liabilities</b>				
Other payables		<b>58</b>	58	58
Deferred tax liability		<b>1,587</b>	1,528	1,404
<b>Total non-current liabilities</b>		<b>1,645</b>	1,586	1,462
<b>Net Assets</b>		<b>22,344</b>	25,149	23,916
<b>Equity</b>				
Issued capital		<b>1,063</b>	1,063	1,063
Share premium		<b>30,108</b>	30,108	30,108
Merger reserve		<b>1,457</b>	1,457	1,457
Share based payment		<b>999</b>	732	803
Forex reserve		<b>(229)</b>	76	(257)
Retained earnings		<b>(11,054)</b>	(8,287)	(9,258)
<b>Total equity attributable to equity holders of the parent</b>		<b>22,344</b>	25,149	23,916

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Share capital	Share premium	Merger reserve	Share based payment reserve	Foreign exchange reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2017</b>	<b>269</b>	<b>4,253</b>	<b>1,457</b>	<b>647</b>	<b>(18)</b>	<b>(5,188)</b>	<b>1,420</b>
Loss for the period	-	-	-	-	-	(3,099)	(3,099)
Foreign currency translation differences	-	-	-	-	94		94

<b>Total comprehensive loss for the period</b>	-	-	-	-	<b>94</b>	<b>(3,099)</b>	<b>(3,005)</b>
<b>Contributions by and distributions to owners</b>							
Share based payment charge	-	-	-	85	-	-	85
Shares issued	794	27,005	-	-	-	-	27,799
Issue costs	-	(1,150)	-	-	-	-	(1,150)
<b>Total contributions by and distributions to owners</b>	<b>794</b>	<b>25,855</b>	<b>-</b>	<b>85</b>	<b>-</b>	<b>-</b>	<b>- 26,734</b>
<b>Balance at 30 June 2017</b>	<b>1,063</b>	<b>30,108</b>	<b>1,457</b>	<b>732</b>	<b>76</b>	<b>(8,287)</b>	<b>25,149</b>
Loss for the period	-	-	-	-	-	(971)	(971)
Foreign currency translation differences	-	-	-	-	(333)		(333)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(239)</b>	<b>(4,070)</b>	<b>(4,309)</b>
<b>Contributions by and distributions to owners</b>							
Share based payment charge	-	-	-	71	-	-	71
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>71</b>
<b>Balance at 31 December 2017</b>	<b>1,063</b>	<b>30,108</b>	<b>1,457</b>	<b>803</b>	<b>(257)</b>	<b>(9,258)</b>	<b>23,916</b>
Loss for the period	-	-	-	-	-	(1,796)	(1,796)
Foreign currency translation differences	-	-	-	-	28		28
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>(1,796)</b>	<b>(1,768)</b>
<b>Contributions by and distributions to owners</b>							
Share based payment charge	-	-	-	196	-	-	196
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>-</b>	<b>-</b>	<b>196</b>
<b>Balance at 30 June 2018</b>	<b>1,063</b>	<b>30,108</b>	<b>1,457</b>	<b>999</b>	<b>(229)</b>	<b>(11,054)</b>	<b>22,344</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

### FOR THE SIX MONTHS ENDED 30 JUNE 2018

	<b>H1 2018 Unaudited £'000</b>	H1 2017 Unaudited £'000	FY 2017 £'000
<b>Cash flows from operating activities</b>			
Loss for the period	<b>(1,796)</b>	(3,099)	(4,070)
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	<b>30</b>	22	51
Amortisation of intangible fixed assets	<b>831</b>	498	1,227
Loss / (Profit) on disposals	-	-	10
Income tax charge / (credit)	<b>77</b>	(136)	18
Share based payment expense	<b>195</b>	85	156
Foreign exchange differences	<b>8</b>	-	33
	<b>(655)</b>	(2,630)	(2,575)
Decrease / (increase) in trade and other receivables	<b>1,064</b>	(325)	(1,486)
(Decrease) / increase in trade and other payables	<b>(39)</b>	708	1,183
<b>Cash generated from operating activities before interest and tax</b>	<b>370</b>	(2,247)	(2,878)

Interest received	-	60	8
Taxation paid	(62)	-	-
<b>Net cash generated from operating activities</b>	<b>308</b>	(2,187)	(2,870)
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries	-	(22,536)	(22,536)
Purchases of Property, plant and equipment	(48)	(45)	(137)
Development of intangibles	(305)	(357)	(672)
<b>Net cash used in investing activities</b>	<b>(353)</b>	(22,939)	(23,345)
<b>Cash flows from financing activities</b>			
Issue of ordinary shares, net of issue costs	-	26,649	26,649
<b>Net cash (used) / generated from investing and financing activities</b>	<b>(353)</b>	3,711	3,304
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(45)</b>	1,524	434
<b>Cash and cash equivalents at beginning of period</b>	<b>1,636</b>	1,157	1,157
Effect of foreign currency exchange rate changes	54	-	45
<b>Cash and cash equivalents at end of period</b>	<b>1,645</b>	2,681	1,636

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

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

The principal trading subsidiaries are ATTRAQT Limited and ATTRAQT Inc.

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

The registered number of the Company is 8904529.

The reporting currency of ATTRAQT Group PLC is GBP and has been rounded to the nearest thousand £.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial information presented in this condensed consolidated interim report for the half-year has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted by the European Union. The principal accounting policies adopted in the preparation of the financial information in this Interim Report are unchanged from those used in the company's financial statements for the year ended 31 December 2017 and are consistent with those that the company expects to apply in its financial statements for the year ended 31 December 2018.

The financial information for the year ended 31 December 2017 presented in this Interim Report does not constitute the company's statutory accounts for that period but has been derived from them. The Annual Report and Accounts for the year ended 31 December 2017 were audited and have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for the year ended 31 December 2017 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 June 2017 and 30 June 2018 is unaudited.

The Board of Directors approved this interim report on the 24 July 2018.

#### 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 period 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:

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

#### **IFRS 15 Revenue from Contracts with Customers**

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

The accounts have been prepared in accordance with IFRS 15.

#### **Intangible assets**

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

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

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

<b>Intangible Asset</b>	<b>Useful economic life</b>	<b>Valuation Method</b>
Customer Relationships	11 years	Excess Earnings Method - the value of the intangible asset is the present value of the after-tax cash flows potentially attributable to it, net of the return on fair value attributable to tangible and other intangible assets.
Existing Technology	7 years	Relief from Royalty Method - the value of intangible assets are estimated by capitalising the royalties saved because the company owns the intangible asset.
Trade Names	10 years	Relief from Royalty Method - the value of intangible assets are estimated by capitalising the royalties saved because the company owns the intangible asset.

#### **Internally generated intangible assets (development costs)**

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

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

Capitalised development costs are amortised over three years. The amortisation expense is included within administrative expenses in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Where there is an event or change in circumstance in relation to such judgement, the Group must make an estimate of the expected future economic benefits to determine that assets are not impaired.

#### **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.

#### **Foreign currency translation**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account.

For the purposes of preparing condensed consolidated interim financial statements, the assets and liabilities of foreign subsidiary undertakings are translated at the exchange rates ruling at the balance sheet date. Profit and loss items are translated at the exchange rate ruling at the date of the transaction. Exchange differences arising are taken to the Group's foreign currency translation reserve.

#### **Going concern**

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

#### **Financial Instruments**

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

#### **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.

#### **Taxation**

Taxes on income for the interim periods are accrued using the tax rate that would be applicable to expected total earnings. Tax being shown in the Statement of Comprehensive Income is largely due to tax credits and a deferred tax credit.

#### **Deferred tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised only to the extent that the level and timing of taxable profits can be measured and it is probable that these will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at tax rates that have been enacted or substantively enacted at the balance sheet date, and that are expected to apply in the period when the liability is settled or the asset realised.

### **3. Segmental reporting**

	<b>H1 2018</b>	H1 2017	FY 2017
	<b>Unaudited</b>	Unaudited	
	<b>£'000</b>	£'000	£'000
<b>Revenue by type</b>			
SaaS	<b>7,456</b>	4,986	12,307
Services	<b>901</b>	467	1,308
<b>Total Revenue</b>	<b>8,357</b>	5,453	13,615

<b>Cost of Sales by type</b>			
SaaS	<b>2,474</b>	1,290	3,441
Services*	<b>957</b>	296	728
<b>Total Cost of Sales</b>	<b>3,431</b>	1,586	4,169
<b>Gross profit</b>	<b>4,926</b>	3,867	9,446

For the purpose of IFRS 8, the chief operating decision maker takes the form of the Board of Directors. The Directors' opinion is that the business of the group is to provide cloud-based e-commerce solutions. Based on this, there is one reportable segment. The internal and external reporting is on a consolidated basis with transactions between group companies eliminated on consolidation.

\*During the period, the Board of Directors decided to re-classify some headcount costs previously allocated to administrative expenses to cost of sales. The Directors' believe that this reclassification better matches the revenue of the business with the associated direct costs. The impact of this reclassification in H1 2017, would have been a £98,000 increase in SaaS Cost of Sales and £363,000 increase in Services Cost of Sales and a corresponding £461,000 reduction in Administration expense.

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

	<b>H1 2018 Unaudited</b>	H1 2017 Unaudited	FY 2017
	<b>£'000</b>	£'000	£'000
<b>Revenue by market</b>			
UK	<b>4,886</b>	3,616	8,702
Europe	<b>3,061</b>	1,477	4,093
Rest of the World	<b>410</b>	360	820
<b>Total Revenue</b>	<b>8,357</b>	5,453	13,615

#### 4. Exceptional items

The Group separately identifies those items which in management's judgement, need to be disclosed by virtue of their nature, size or incidence in order for the user to obtain a proper understanding of the underlying performance of the business. The exceptional cost of £464,000 (2017: £2,095,000) relates to the change in CEO. The exceptional costs for 2017 consist of £1,655,000 relating to the legal and professional advisor's fees in respect of acquisition costs and £440,000 of post-acquisition integration activities.

#### 5. Taxation

The Group tax charge is based on the estimated annual effective rate and for the half year is calculated at 19.25%; H1 2017: 20.3% and applied to the profit before tax for the period.

#### 6. Loss per share

The calculation of continuing earnings per share is based on the following:

	<b>H1 2018 Unaudited</b>	H1 2017 Unaudited	FY 2017
	<b>£'000</b>	£'000	£'000
Numerator			
Loss for the period and loss used in basic and diluted EPS	<b>(1,796)</b>	(3,099)	(4,070)
Denominator			
Weighted average number of shares used in basic & diluted EPS	<b>106,368,589</b>	77,406,531	92,006,582
Loss per share - basic & diluted	(1.7p)	(4.0p)	(4.4p)

At the period end, the Group had 1,341,680 exercisable share options (H1 2017: 1,341,680, FY 2017: 1,341,680). These options were excluded from the diluted weighted number of ordinary shares calculation because their effect would have been anti-dilutive.

## **7. Intangible assets**

Additions to internally developed intangible assets during the Period amounted to £305,000 (H1 2017: £357,000k, FY 2017: £672,000). The associated amortisation charge for the period was £256,000 (H1 2017: £67,000, FY 2017: £183,000) for the Group's continuing operations.

Additions to acquired customer contracts and relationships and goodwill during the Period amounted to £Nil (H1 2017: £26,754,000, FY 2017: £26,567,000). The associated amortisation charge for the period was £575,000 (H1 2017: £431,000, FY 2017: £1,047,000) for the Group's continuing operations.

## **8. Acquisitions**

In the prior year, the group acquired Fredhopper BV. Details of the acquisitions are included in the Annual Report and Accounts for the year ended 31 December 2017. No acquisitions have been made in the current financial period.

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