



Exceptional Shopping Experiences



Report & financial statements

Year ended 31st December 2021

Attraqt Group plc

Company Number 08904529

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Attraqt Business Model

What makes Attraqt unique

Management team with extensive industry experience

Several senior executives have substantial experience building eCommerce businesses.

Deep expertise in merchandising

Our team has several decades worth of strategic merchandising knowledge from working in the industry, we appreciate that human intelligence and creativity can't be excluded from the merchandising equation.

Two proprietary software platforms, applicable to clients of different sizes

A robust, powerful tool applicable for the biggest Enterprise brands in the world (Fredhopper), and a Mid-Market solution which allows medium size companies to quickly and easily enhance conversion rates (Experience Orchestrator).

AI differentiation

AI-powered Search and Algorithm orchestration are cutting edge tools which provide differentiation from peers and enable next level conversion and growth opportunities for our clients.

Partnerships with industry leaders

Our API first ethos allows easy integration with eCommerce partners such as BigCommerce, which generates new business leads for Attraqt and allows clients to work seamlessly with both companies, preventing any friction for back-end developers. We are developing further native integrations, for example to Shopify.

Broad client base including large brands

Clients including ASOS, Waitrose, Adidas, JD Sports and Screwfix reflect our industry-leading position and allow us to continue to develop our knowledge in collaboration with some of the world's biggest and most innovative brands.

What we do

We are the leader in Product Discovery technology in Europe

We use technology to enable retailers or brands to optimise their customers' digital shopper journeys, ultimately increasing conversion rates.

This is achieved through:

Search



Improved search tools help retailers understand what shoppers are looking for at each step of the customer journey so they can best anticipate and respond to customer needs.

Merchandising



Presenting products to consumers in an optimal way delivers valuable and inspiring recommendations for shoppers while serving the business objectives of the retailer.

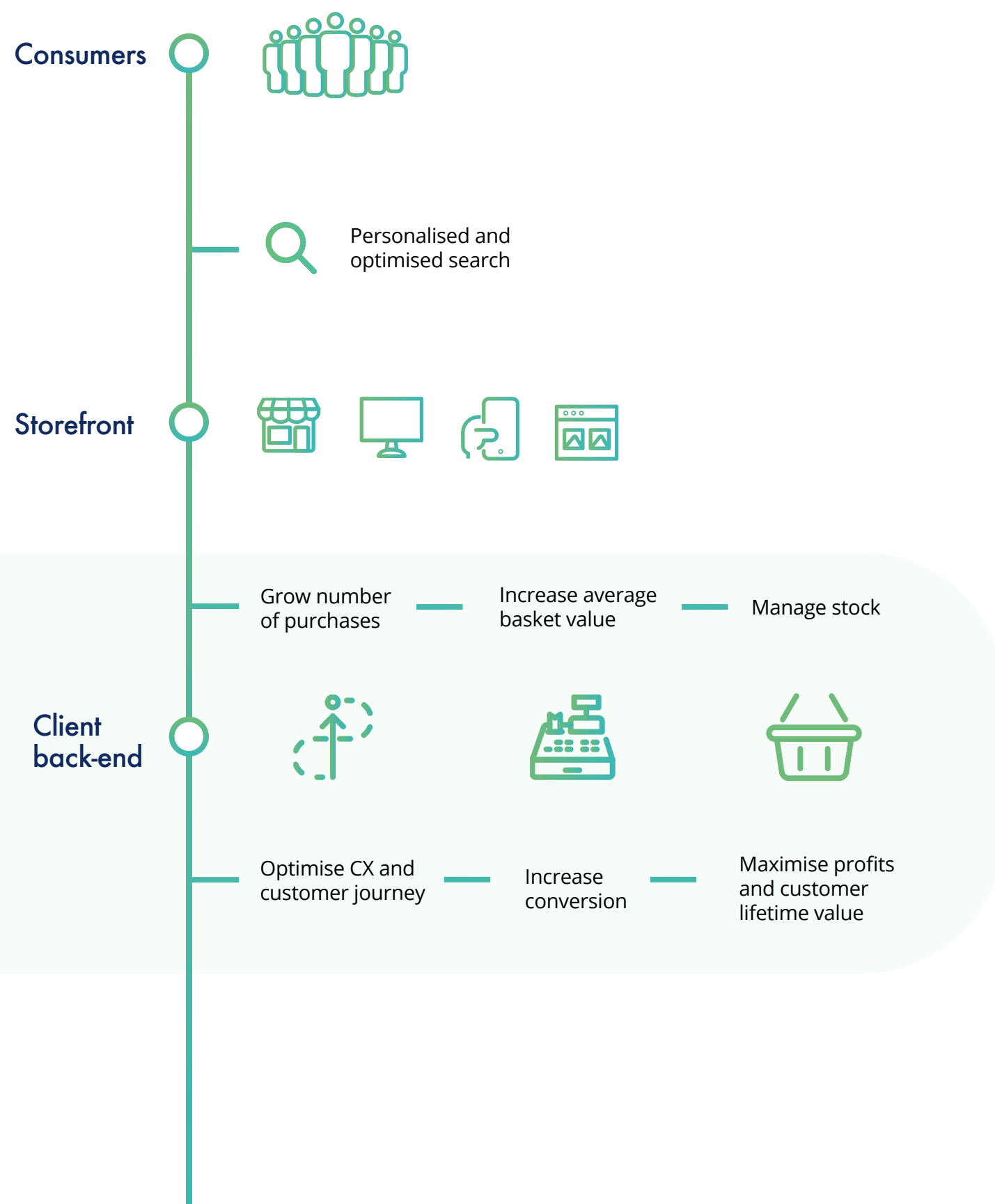
Personalisation



Personalising the shopper journey creates a more enjoyable and efficient experience, increasing the likelihood of a purchase.

All of this ultimately increases the number of customers that end up making a purchase, and/or increasing the value of those purchases, as well as increasing customer engagement.





Revenue Stream

SaaS revenue



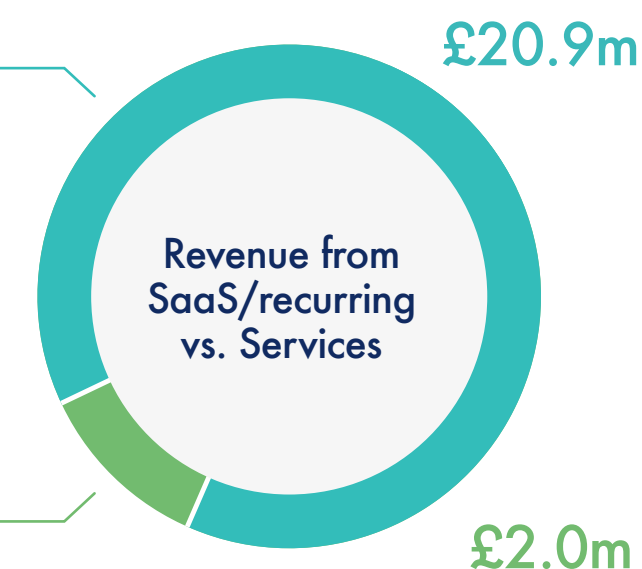
We sell our software platforms on a subscription basis, which generates recurring revenues.

Increases to ARR are derived from: customers adding websites and geographies (Capacity), customers adding capabilities such as AI Search and Personalisation (Upsells) and by adding new logos.

Services revenue



Additionally, we charge clients for extra services such as implementation, integrating with other technologies and on-site support during peak trading periods.



The value we create

For our clients



We simplify and connect up the customer journey in order to increase customers' conversion rates on their digital platforms, which drives additional sales and significant improvements in profitability.

Helping a client increase its funnel conversion rate for a product, department or across a store from 2% to 3% can deliver significant improvements in their profits.

In addition, our technology has the benefit of allowing retailers and brands to achieve certain operational goals (for example, clearing stock or increasing sell through in certain products), and improving customer engagement.

For shoppers



We provide individualised and connected product discovery experiences which allow for a more effective and enjoyable shopping experience.

For employees



We provide an inclusive, diverse workplace, opportunities for career progression and competitive remuneration and benefits. We have a values-led culture which drives our shared success.

For shareholders



Growth in our annual recurring revenue underpins value creation and long term share price appreciation.

For partners



We provide quick and easy access to best-of-breed product discovery technology, easily integrated into their existing platforms.



Solutions and services



Search

Our search technology is built exclusively for commerce, across all verticals to help consumers find relevant products they want fast; from search suggestions, to user feedback and predictive search. Our 2020 deployment of AI in our search engine combines natural language processing, computer vision and user behaviour data with merchandising creative control, to apply shopper intent for rich and highly relevant search discovery experiences.



Personalisation

We support and guide customers throughout their journey, from discovery, to purchase and beyond. By applying smart merchandising rules and AI retailers can configure, test and deploy their personalisation algorithms in real-time to build high-performance personalisation strategies.



Merchandising

Merchandisers need complete control over the front-end presentation to ensure that products are presented to shoppers in the best way. Attraqt's solution make it easy for teams to deliver valuable and inspiring discovery journeys for shoppers to easily find the products that will surprise and delight them.



Our solutions have the following benefits:

Optimise the Shopper Journey

Understand what shoppers are looking for at each step of the customer journey to ensure our clients present the right product to the right shopper at the right time, maximising their commercial targets.

Enhance the User Experience

Create integrated experiences across channels and visits for the entire shopper journey. This helps build brand connections to drive lifetime value for customers.

Deliver Merchandising and Operational Efficiency

With intelligent automation our technology lets merchandising teams take control and focus on the strategy and creativity to deliver both shopper experiences and commercial goals.



Our technology

For many multi-channel retailers the product discovery experience across channels they offer is often unsatisfactory and sometimes disconnected as the technology is siloed and the data collected not utilised to power personalisation across the customer touch points in the discovery journey. This partly reflects that many online stores have been built with a legacy multivendor, multiproduct stack where interoperability is often a challenge resulting in low levels of relevance and personalised experiences to the shopper.

At Attraqt we have developed, over 15+ years, a Product Discovery platform built by retailers for retailers. Our platform is the most advanced merchandising platform on the market with innovative and patented features and an R&D roadmap which is extending our leadership and underpinning increasing ROI for our clients.

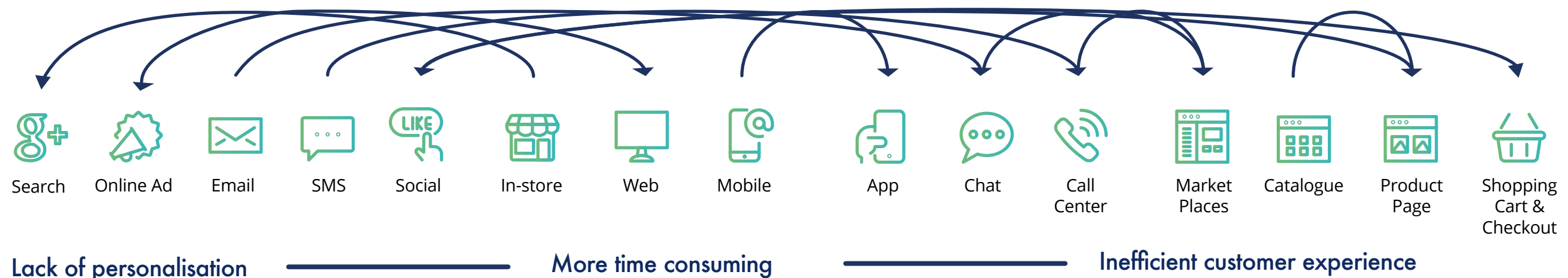
Leading targeted software solutions

Today we go-to-market with two offerings, both underpinned by a common architecture, roadmap and investment in AI. **Fredhopper** is a world leading search and merchandising platform, with highly curated business logic blended with AI, delivering the look and feel of a luxury store for major Enterprise clients. **Experience Orchestrator (XO)** targets middle market clients and uses powerful AI to help retailers launch great shopper experiences more quickly with an end to automated product discovery capability and often at a fraction of the cost of using multiple technologies which is a common feature in the Mid-Market today.

Common issues faced in eCommerce technology

Non personalised adds
Zero results
Irrelevant search results

Incomplete product information
Decreased conversion rates
Decreased basket spend





Target Segment: Enterprise Clients

Key Features

- A world leading search and merchandising platform
- Highly curated business logic blended with AI
- Fully Internationalised merchandising capabilities

Why is it tailored to the Enterprise market

- Enterprise performance and scale
- A choice between level of automation and curation to suit brand needs

Target Segment: Middle Market Clients

Key Features

- Modern, cloud native, scalable, AI-enabled product discovery platform
- Out of the box integrations to eCommerce platforms
- Partner and customer self-service
- AI Search as a premium option

Why is it tailored to the middle market

- Lower cost to serve customers due to level of automation and self-onboarding features
- Wider range of “out of the box” features

Importantly, our teams are continually working on leveraging the best of both adding greater feature rich content to experience orchestrator and layering in AI to Fredhopper to further improve personalisation and recommendations.

Optimising the online journey for shoppers and our clients

We have three central principles to developing our software and our R&D roadmap.

Configurability - we enable a retailer to select and configure the right algorithms based on what they are trying to achieve, ensuring they present the right product to the right shopper at the right time, maximising their commercial targets.

Open Architecture – our clients are always upgrading their infrastructure, and sometimes renewing it, always trying to run best-in-class platforms and deliver the most optimised journey for shoppers. We are continually building out our partner connectors to ensure we are a core technology whatever vendor choice our clients make and can be easily connected into any re-platforming project.

AI everywhere – we are looking for every opportunity to embed AI in everything we do. We are always working to optimise the language of the shopper to ensure that a query like “red outfit for a party” or “tiles for my bathroom” results in the most accurate and useful results and ultimately a successful purchase. AI also helps us build out our analytics capabilities, particularly predictive analysis, to understand the purchasing intent of a shopper when they arrive on a site to deliver a fully personalised shopping journey.

The Attraqt stable



Fredhopper Discovery Platform (FHR)

- Acquired in 2017
- World leading search and merchandising platform
- Meets the needs of larger, multi-national customers



Experience Orchestrator (XO)

- Acquired in 2019 as part of the Early Birds purchase
- Modern, Cloud native, scalable AI-enabled platform
- Personalisation platform
- Meets the needs of mid-size retailers, brands and partners



Aleph Search

- Acquired in 2020
- Leading, modern AI powered search capability
- Platform for innovation around text/voice/visual search
- Modern technology, cloud enabled
- AI search capability to FHR and XO customers-existing and new

What we have been working on?



Building on our personalisation and recommendation engine



Natural language search - “the language of the shopper”



Business intelligence platform to optimise our clients insights and processes

What we plan next



Better understanding and analysing shopper intent



Predictive analytics to optimise the shopper journey and client outcomes



Combining intelligent content & product recommendation

EMBEDDING AI EVERYWHERE



Market overview

Continued growth in eCommerce

The Covid 19 pandemic has accelerated the adoption of online shopping and has resulted in digital transformation now being the number one priority investment for retailers and brands. Shopping behaviour has changed and a whole new segment of customers are now comfortable shopping online after being forced to change their habits during lockdowns.

For our clients



Our 2021 Peak Trading Report, reviewing the 'peak' trading period starting from midnight of Grey Thursday, all the way to Cyber Monday, showed that consumers did continue to shop online and that shopping habits created during the last two years may well be here to stay.

Presented with a choice this year as stores in most regions re-opened, it was clear that many consumers chose to shop from their devices – even when they had the option to go to a physical store.

For partners



Attraqt's data shows that **just as many** eCommerce requests were processed in 2021 as 2020.

Over the 5-day peak trading period, **2.8 billion** requests were made, a very similar figure to the number of requests measured over the same period in 2020.

We operate in a growing market where online sales are at **\$4.9 trillion worldwide** and set to grow by 50 percent to about **\$7.4 trillion** by 2025.

The European (EU and UK) eCommerce market which is our core focus is growing fast (**€689bn 2021**) and is currently almost comparable to the size of the US market (**€755bn 2021**).¹

As the adoption of digital commerce continues to accelerate we are well placed to continue to improve our growth rates where we already have significant market share and operations. We also have further strategic expansion opportunities in new markets such as the United States. Our strategy to address Enterprise and the fast growing Mid-Market space gives us access to a larger addressable market for our products.



What are retailers investing in?

- Product discovery in-store and online² – SEARCH
- AI and loyalty to personalise product discovery² – PERSONALISE
- Algorithmic merchandising optimisation² – MERCHANDISE

Attraqt caters to all the main areas in which retailers are investing in. The opportunity for growth is significant, and we have a clear strategy to provide the world's best product discovery technology to both Enterprise and Mid-Market brands and retailers.

Evolving technology trends and the move to composable commerce solutions where the customer can select best in class technology to address the key capabilities they need in digital commerce also plays into our evolving strategy. Our technology now uses an API focussed integration method, is predominately cloud native and 100% in the cloud on our all technology solutions. We are headless by design meaning our technology is completely agnostic to the storefront and this means we be easily deployed into any front-end digital stack the customer decides to utilise.

Our target markets

Sector

Attraqt's software is able to support a broad range of different types of retailers and brands across many sectors.

Currently our top five segments are:



Fashion & Footwear



Home, Garden and Living



Sports, Recreation and Leisure



Brand Stores



Electronics

Our analysis shows us that Brand Stores are the biggest opportunity for us. This rapid growth of Direct-to-Consumer brands which use their platform and infrastructure to grow fast and connect directly to their customers, without 'middle men', are a significant sign of positive market disruption. We are poised to respond to this effectively.

Size

We have two product offerings enabling us to provide a tailored offering to different parts of the retail market:

- **Enterprise-size clients**

- From £60k to over £500k ARR
- Some of the world's largest global retailers, which require dedicated support, Enterprise performance and scale, with a high level of curation and automation to suit brand needs
- Served predominately by FREDHOPPER

- **Mid-Market clients**

- £15k - £60k ARR
- Growing retailers which require a lower cost option with more "out of the box" features, underpinned by high levels of automation with curative control
- Served by EXPERIENCE ORCHESTRATOR (XO)

¹Statista, US Department of Commerce report, 2021-European-E-commerce-Report

²Top Trends in Retail Digital Transformation and Innovation for 2021 – Gartner

The Attraqt way

Our Purpose

Our core purpose is to enable leading brands, manufacturers and retailers from across the globe to deliver exceptional shopper experiences.

We enable experiences that drive product discovery and conversion whilst also exceeding commercial goals. We are a growth engine for our customers.

As part of the way we work we embed AI everywhere and embrace continuous innovation in a way that is both open and scalable, to ensure that our customers can benefit from the perfect blend of human-guided decision-making and machine-led data science.

What makes us different

Smart Automation

Our API enabled, algorithm driven solutions ingest, enrich and understand disparate data sources and signals to intelligently automate personalized experiences, in real-time.



Strategic Control

Our solutions are transparent, open, and easy to work with so that all stakeholders can apply the resulting insights with their own creativity and expertise to drive performance uplift.

How we work

Objectives and Key Results (OKRs)

In 2020 we launched company OKRs which were rolled out over 2021. This collaborative goal-setting tool used by our teams and individuals drives further growth at Attraqt. We continue to unify our organisation with clear goals that challenge and cultivate ambition with measurable results.

Diversity & Inclusion

We continue to develop the Diversity & Inclusion (D&I) initiative and steering group at Attraqt. This steering group works towards and advocates to create an equal, diverse and inclusive environment by welcoming and encouraging respectful dialogue and exploration of diverse ideas, topics, perspectives and issues to enrich our company culture. We rolled out a 2021 D&I strategy that made improvements throughout HR, Recruitment and People, and we continue to focus on developing this strategy into 2022.

The secret to success is combining the insights and efficiencies that AI provides, and fusing these with the tried and-tested brand strategy and creativity that have proven their worth for years.

This perfect blend of human-guided decision-making and machine-led science is the key to retail's future. It is the foundation to delivering exceptional shopping experiences.

Values

Our values-led culture drives our shared success.

Own It



We do the right thing. Our teams operate with honesty and integrity. We are accountable to each other, our customers, our partners and we do what we say. We prove this with clear data-led insight and measurement. We focus our attention on what matters.

Better Together



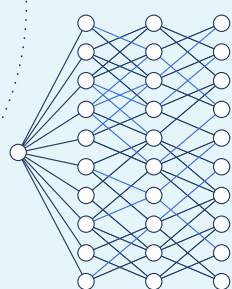
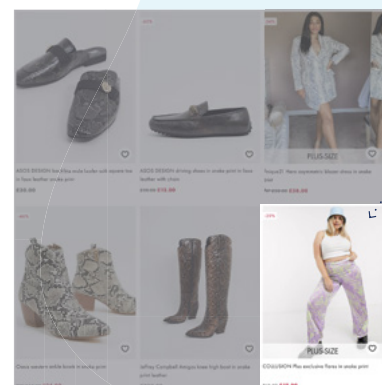
Above all, we are one team, and our great colleagues make a difference everyday. We're committed to helping our customers by working together collaboratively and our success is dependent on the energy, diversity, intelligence and contribution of all our teams. We are a team on a mission.

Make It Happen

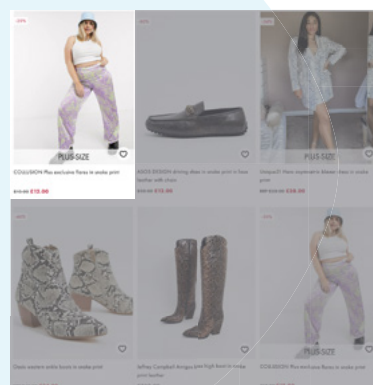


We strive to be the best and we display a sense of urgency in everything we do. We are passionate and we love a challenge –we never give up! We encourage a culture of innovation and continuous improvement. Our team is not afraid to make mistakes, adapt and find solutions to deliver exceptional results.

Snake print



Snake print



Strategy

We have a customer-centric approach and believe that by continually improving our offering we can strengthen relationships with current clients, acquire new clients, and improve operational efficiencies in the business.

By focusing on the six key strategic priorities outlined below, we will ultimately create value for all our stakeholders: our clients, employees, partners and our shareholders.

We have always said that as our business evolves, we believe it is prudent to continually build upon and refine our strategic priorities. This year we added “being recognised as a market leader”, acknowledging the importance of independent validation of the strength of our offering.

Key Strategic priorities

- 1 **Evolving our data-led approach**
- 2 **Increasing the speed of our innovation**
- 3 **Executing our partnership strategy**
- 4 **Replicating our UK success in other geographies**
- 5 **Improving the customer and developer experience**
- 6 **Being recognised as a market leader**

Evolving our data-led approach

We will help our clients to use their customer data, offsite tracking and third-party data to better target their onsite search, merchandising and overall personalization strategies via our data services platform, ultimately boosting their average order values. We will also use this focus on data and insight within our own business, making sure track every part of our operations to continually review and optimise them.

Increasing our speed of innovation

We have a compelling product vision and a progressive roadmap to further broaden our capabilities and continue to deliver for our clients in an evolving retail environment. This includes further investment in six key areas: Cloud, Smart Data, Creative Control, Actionable Insight, Shopper Experiences, & AI.

Executing our partnership strategy

By working with partners in the retail technology space Attraqt is equipped to cater for many possible requirements and scenarios. We plan to foster further Technology, Integrator and Agency partnerships. Partnerships have several benefits, including driving innovation providing access to new markets and supporting our ability to scale more quickly and efficiently.

Replicating our UK success in other geographies

We believe we are leaders in the UK and we will seek to replicate that in other key markets where we have an established footprint such as Benelux, The Nordics, Germany, France, Spain, and Italy. We are beginning to see more opportunity with a number of new client wins and inbound interest from the US market, and we will develop opportunities should they arise.

Improving the customer and developer experience

Our customers are at the heart of everything we do. We are focused on optimizing all areas of the business to support and enhance the customer journey, including the provision of unique insights to optimize client site search and merchandising performance to support their customers’ journeys.

Being recognised as a market leader

Independent, third-party proof points are an important corroboration of the strength of our technology and supports our credibility in the market, providing current and new customers with the ability to validate our offering. We continue to develop relationships with key analysts such as Gartner and Forrester as well as with strategic consulting firms that advise the client. Validation from Gartner in particular came in the form of our improved ranking in the Personalisation Magic Quadrant where they ranked us second globally for personalisation capability within digital commerce.

Strategic report

Chairman's statement

Tom Crawford



For the year ended 31 December 2021

Prior to joining the business, I could see that Attraqt's offering is extremely relevant in the current market environment, and the business had the capability of being a true leader in its market. I am pleased to say that this really has been illustrated to me in my first six months as Chairman. The Group has achieved a lot this year, but in my mind, what defines it, is the sharpening of our strategy and raising of our ambition.

After a few years of investing in our product, whether through acquisition or internally, we are now at the point that we are driving our sales and marketing teams with a strong and effective product set. The result of this is really coming into fruition and can be seen in the increased strength of our pipeline, now beginning to convert, with strong Q1 2022 sales.

This doesn't mean we have, or will, sit still with our product development, as that is what our customers and wider industry demands. Our innovation will continue as we evolve with the needs of our end markets at the forefront of our thinking. A crucial milestone on this journey was the addition of our AI Search function, through our acquisition of Aleph, which we are pleased to say has built on our product proposition. We are now moving beyond upselling this on its own and are implementing its core AI functionality across multiple different products as part of our development roadmap.

As well as now having a strong product offering, our solutions remain incredibly robust and able to support the exceptional levels of throughput we have seen. Our technology handled up to 9,000 requests a second at peak trading (during Grey Thursday) and for our sixth year running, we were proud to achieve 100% uptime to support our global customers when they need us most. This demonstrates the scalability and reliability of our product offering.

The strategic pillars that drive our business forward have really begun to prove themselves in this period itself. A key strategic focus for the Group in the year was to build out a partnership strategy, pleasingly we have made considerable progress in this area. Partnerships, like the award winning engagement and integration with BigCommerce, significantly increase our target addressable market and have enabled us to win incremental business away from our competitors. This partner programme will allow us to scale in the Mid-market and is truly bringing huge benefit for the Group.

Pleasingly, following a further 35 multi-year contract renewals in the period, 80% of the Group's top 20 customers are now signed up to multi-year contracts. This commitment from some of the world's leading brands is testament to the strength of Attraqt's relationships, quality of revenue and the relevance of our product offering.

A clear demonstration of our progress on customer success, operational excellence and product innovation is our net revenue retention, which now stands at an impressive 104%. It is clear the investments across the business are now paying off.

Whilst the strength of the Group's pipeline reflects our new go-to-market model, there is no doubt that Enterprise sales cycles have remained longer than pre pandemic as retailers and brands have had to manage unprecedented external challenges and are taking more time to choose each element of new composable commerce ecosystems. Despite this backdrop, and with new confidence against the competition, our team has secured some excellent new Enterprise client wins during the last six months.

Our People

The period saw the stepping down of Nick Habgood as Attraqt's Chairman. I know the Board joins me in thanking Nick for his energetic and dynamic contribution, alongside sage advice. I was very pleased to take on the mantle from Nick and look forward to working with the Board as the Company looks to continue to make operational and financial progress.

I would like to take the opportunity for me to say a huge thank you to our talented team, engaged customers and exciting partners for their passion, support, shared experience and drive to succeed, and we look forward to achieving noteworthy success together in the period ahead and beyond.

Outlook

The adoption of online retail that was seen during the pandemic is showing no sign of abating and both retailers and brands are ever more aware of what they need to do to attract, transact with and retain their online customers. User experience, AI search and product merchandising optimisation remains front of mind and our product set puts our customers in the forefront of delivering a first-class product discovery experience to the end customer.

I believe we are in an enviable position entering the period ahead. We have an effective product, a motivated sales team and a partnership program that has made our target market even more exciting. As I said when I joined – I am confident that we can build a scalable business, continue to service our customers' needs, achieve operational excellence and bring further innovation to the market. The key in the period ahead is our execution - the first quarter has delivered a strong start and we have momentum in the business.

Chief Executive Officer's statement

Mark Adams



For the year ended 31 December 2021

I am proud of the performance we have achieved this year, underpinned by encouraging strategic progress and building traction in both Enterprise and Mid-Market. It is clear our focus on customer success continues to pay dividends with our net revenue retention continuing to increase. Our Product Discovery solutions are now an integral part of the best of breed technology stacks for many of the world's leading brands and retailers as well as with the fast-growing disruptive brands in the Mid-Market.

There is no doubt that retailers and brands remain laser focused on optimising their online retail operations and our product suite is delivering a tangible difference to the business performance of our customers, making the value proposition irrefutable.

This tangible impact on our customers is illustrated, in part, by the increase in our strategic upselling revenue in the period, reflecting not only the strength of our relationships with our clients, but also the positive impact that our product suite has on our customers' eCommerce operations.

Alongside the strong customer relationships we have built and are cultivating, the development of our business internally has come on apace. Our partnerships have flourished in the period, as has our innovation.

Underpinning all of this is a buoyant growth market – in eCommerce and more specifically Product Discovery. This has been evidenced by increased interest and investment in the sector as well as our pipeline. We have expanded our target addressable market considerably this year by targeting the Mid-Market and by developing partnerships, allowing us to sell into the customer bases of the fastest growing eCommerce platform players.

Progress in our markets

As a result of both our own innovation and embedding the technology from our acquisitions, we are starting to become a serious player in the Mid-Market, and building on our historic position of strength in the Enterprise segment of the market with a much more competitive product set.

The continued progress we have made in the Mid-Market is a result of further defining our go to market strategy and has led to an improvement in our conversion rates. I believe our product discovery solutions for the Mid-Market are class leading and we have brought Enterprise grade functionality to the Mid-Market powered by AI. This disruptive strategy is now delivering meaningful results as we signed the same number of Mid-Market logos signed in the first quarter of 2022 compared to both Q3 and Q4 2021 combined.

Alongside this, we are now seeing solid growth in the pipeline of our Enterprise segment as we have become more competitive with our AI search and visual merchandising suite. The largest retailers and brands are investing in re-platforming their legacy eCommerce stacks, moving to new composable commerce solutions. This investment means that customers in the Enterprise market are being much more measured in deploying new technology, with brands and retailers procuring our technology in one territory and then rolling the project out incrementally once ROI is proven. This has had the impact of lengthening lead times. However, we are pleased to have seen several of these deals close into Q1 of 2022, including one large win with a global fashion retailer and another where we have been awarded preferred vendor status that is due to close in mid Q2. Collectively these two wins would represent ARR of close to £1m and a £3m total contract value over three years. We expect to see more strategic upselling opportunities for global rollouts going forward which will further improve our net revenue retention.

Review of sales and operations

Our total revenue was up 9% to £22.9m (up 10% to £23.1m at constant currency), driven by capacity and strategic up-sells to our existing customers as well the benefits of our investment in product and our customer teams starting to come through. There were 11 up-sells in the period of our AI Search functionality, demonstrating the impact this functionality has had in making our offering more integral to customers.

Our continued focus on best-in-class execution, client retention and multi-year contract renewals has delivered positive results, with the Group signing a further 35 multi-year contract renewals in 2021 (on top of 38 secured in 2020). In 2021 this included 10 out of the Company's top 20 customers, leaving 80% of the Company's top 20 customers now signed up to multi-year contracts. These commitments highlight the strong relationships Attraqt has with its customer base and how important its technology is to many of the world's leading brands' online retail operations. This is also reflected by our ever-improving net revenue retention rate (104%) and the continued strength of our Net Promoter Score (25).

We now have a more targeted approach of selling into Enterprise accounts which is driving up our average revenue per customer. This is evidenced by major wins through FY21 with global multi-channel retailers which will feed into improved net revenue retention over time as we deploy our technology to more sites and geographies as part of our international expansion sales play.

Strategic report

Chief Executive Officer's statement

Strategic update

The strategic priorities we developed are at the heart of the progress of our business and it is safe to say that our focus on these priorities has served us well in the period. Our ongoing priorities are:

- Evolving our data-led approach
- Increasing the speed of our innovation
- Executing our partnership strategy
- Replicating our UK success in other geographies
- Improving the customer and developer experience
- Being recognised as a market leader

Some of the key achievements in line with these priorities are laid out below.

Executing our partnership strategy

Our partnership strategy, a major strategic focus, has developed significantly and delivered strong results, with over 35% of our Mid-Market lead flow now coming via partners. In Q1 2022 we achieved over one third of our Mid-Market ARR from our partner sourced leads which clearly demonstrates the success we are having with our partners.

Following the native integration with BigCommerce being completed in September, the Company has seen a number of native integrations go live through this channel. This enables any BigCommerce merchant to deploy Attraqt's search and merchandising tools along with recommendations and personalisation to their storefront with limited integration effort.

Demonstrating the importance of this relationship, Jon Woodall, MD of Space 48 (our Platinum integration partner on BigCommerce) said:

"Attraqt and Space 48 have built out a strong partner focused relationship over the last 18 months. Our partnership is ideally placed to take advantage of the great market conditions and we feel confident that it will lead to more business and cross-pollination of more clients. We look forward to the years ahead and making the most of our partner-focused relationship."

We are also in the process of deploying other integrations, including one with Shopify, which is expected to be deployed by the end of Q2. Today around 19% of our inbound Mid-Market leads use Shopify as their eCommerce platform which clearly demonstrates the demand from the Shopify customer base. Once launched we will be able to serve Shopify merchants with search, merchandising and recommendations functionality through one instantly deployable plug in.

Increasing the speed of our innovation

We successfully embedded the core of our AI search function in the first six months of the year and are now beginning to look at further innovations in terms of visual search, search personalisation and semantic tagging in order to take pioneering steps forward in search innovation. We are conscious that in order to maintain our market-leading position we need to be constantly innovating and we are now in a position to do so organically on our core technologies.

Improving the customer and developer experience

During the year, we focused on improving the developer experience as well as the customer experience, for example, launching a new user interface refresh of Fredhopper in Q4 and outlining our API strategy so that developers can take advantage of our tech with ease, both of which will continue to be a big part of our product roadmap in the year ahead. We have been busy developing documentation and collateral for our partners including training and enablement materials so that they are able take our products to market and deploy them. In the year we launched the Attraqt training academy and a new partner programme with developer and sales certifications. We are fast maturing as a partner centric company and our partners will be a significant driver of our growth and ability to scale for years to come.

Investing in our team

During the period, we have further invested in our marketing function. The result of this is that we are now generating double the amount of lead flow from marketing initiatives compared to what we were seeing at this point last year. We have also invested in our sales team across all regions, who are proficiently identifying high quality opportunities. Our strategy to split the sales function into Mid-Market and Enterprise supported by partner managers is now paying dividends in the UK with an enhanced pipeline, and our focus is to replicate this throughout our core regions in 2022.

This year, more than ever, we have seen the quality of our team shine through. I would like to take this opportunity to thank them for their hard work, dedication and ongoing enthusiasm during the year. Attraqt competes with a number of exceptionally well-funded global leading technology vendors yet we outperform them in our core markets through technology that better solves the key challenges of digital commerce today. It is our heritage, our industry expertise, our focus and the commitment of our people that enable our success and we are truly grateful to all of them.

I would also like to thank all our customers, partners and shareholders for their continued support throughout the year. I look forward to achieving further successes together in the future.

Outlook

Current trading has begun well with a strong level of new bookings in Q1 across both Enterprise and Mid-Market, demonstrating the momentum we have put into the business. Importantly, Attraqt was selected above two key competitors in pitch processes during Q4 FY21 and Q1 FY22, demonstrating the power and appeal of our current offering.

We are cognisant of the inflationary environment and the potential impact on consumer confidence but are not currently seeing any impact on our sales or pipeline and believe we are in a good position to navigate this environment going forward. Due to the increasingly global nature of our revenues, the impact of FX is a headwind in the current year, as such we will be using constant currency comparisons going forwards to provide a clearer indication of the Group's underlying performance.

Looking ahead, we remain confident in our proposition, our products and our strategy. Attraqt's technology is integral to the delivery of online retail operations and the commercial success of our merchants. We firmly believe that we are well positioned to execute our growth strategy with significant momentum going into FY22.

Our focus for the year ahead is building further traction in the Mid-Market and continuing to build on our Enterprise success. Alongside this, we will be deploying a greater proportion of the available spend to go-to-market initiatives in 2022, as previously communicated.

We are confident that we can continue to effectively address what our customers need better than our competition, deliver against our growth strategy and create value for all our stakeholders.

Strategic report

Chief Financial Officer's Statement

Eric Dodd



Revenue for the year increased by 9% to £22.9m (2020: £21.0m), up 10% to £23.1m at constant currency.

SaaS revenues increased by 8% to £20.9m (2020: £19.3m) driven by strategic upsells and capacity growth in existing accounts. Services Revenue increased by 18% to £2.0m (2020: £1.7m).

Revenue	2021 statutory	2021 at constant currency	2020 statutory	Growth reported on a statutory basis	Growth at constant currency
SaaS	£20.9m	£21.1m	£19.3m	8%	9%
Services	£2.0m	£2.0m	£1.7m	18%	18%
Total	£22.9m	£23.1m	£21.0m	9%	10%

Gross profit increased by 4% to £16.2m (2020: £15.5m), but the gross profit margin decreased by 3 percentage points to 71%. The SaaS gross margin decreased by 3 percentage point to 77% due to increase of costs of our Amazon Web Services (AWS) and Google Cloud estates caused by higher hosting cost in legacy XO customers. We are disappointed by the decline in SaaS gross margin and driving it back to 80% is a key priority for 2022. The Services gross margin stayed the same at 9% and we believe this will be driven higher in 2022 due to higher staff utilisation.

Adjusted EBITDA¹ of £0.7m profit (2020: £1.1m) declined in the year due to increased hosting costs, and a rebound in sales & marketing expenditure after the cutbacks last year due to COVID-19.

The exceptional costs of £0.6m (2020: £0.3m) in the year relate to severance costs and other people costs of £0.5m and the final settlement for the EB acquisition of £0.1m.

Depreciation and amortisation totalled £4.1m (2020: £3.5m), increased due to the full year impact of the acquired intangibles that were created on Aleph acquisition. There was a share-based payment charge of £0.2m (2020: £0.1m).

Loss before tax was £4.2m (2020: £2.6m loss), with the tax credit in the period £0.7m (2020: credit £0.4m). Therefore, loss for the year after tax was £3.5m (2020: £2.2m loss).

Foreign exchange exposure

Cash flow forecasts are maintained for each major operating currency (GBP, EUR, USD, AUD) to manage transaction exposure. The expectation is that the Group will have more AUD than required but be short of USD. Currency forecasts are regularly reviewed and where necessary are hedged using forward contracts in the current statutory period. Hedging instruments as well as spot deals may only be traded with approved counterparties. Due to the increasingly global nature of our revenues, the impact of FX is a headwind in the current year, as such we will be using constant currency comparisons going forwards to provide a clearer indication of the Group's underlying performance.

COVID-19 pandemic

The potential impact of the COVID-19 pandemic on Attraqt's trading performance and all our principal risks has been assessed with mitigation plans put in place. Up to the date of this report, the pandemic has, as anticipated, positively impacted capacity upsells, but negatively impacted the close rate on new business opportunities. Thankfully, the situation has improved over the last six to twelve months due to the vaccine rollout, but we continue to monitor the situation closely, as this continues to be an uncertain situation, with the ultimate severity, duration and impact unknown at this point.

Cash

The cash balance at the end of the period was £3.5m (2020: £6.6m), which was a decrease of £3.1m during the year. The decrease was mainly due to capitalised development expenditure of £2.0m (as we prepared the Mid-Market product to increase our total addressable market), the payment of deferred consideration on acquisitions of £0.8m and the payment of delayed Covid tax liabilities of £0.5m. The business plan and momentum for 2022 moves Attraqt to underlying cash neutral trading and marks an important milestone.

Business Drivers

The key to growing value in a SaaS business is to grow the Annual Recurring Revenue (ARR) by understanding and then moving the levers that impact it. The ARR increased by 7% to £22.6m at constant currency rates (4% to £21.9m reported) from £21.1m in 2020 and was driven by some large size new customers embarking on first phase roll-outs and sales of the new acquired AI Search product to our existing customers.

The first lever that impacts ARR is the booking of new, recurring revenue. Recurring bookings in 2021 were £3.5m (2020: £3.9m). Gross Attrition is an important KPI for our business because it challenges us to understand why our customers leave and find preventative actions. Another important KPI is Net Revenue Retention because it indicates how well we are serving our existing customers. Gross Attrition for 2021 was 10.6% (£2.2m), which is a significant reduction from 14% (£2.7m) in 2020 and the NRR was strong at 104% (2020 102%).

This strategic report has been approved and is signed on behalf of the Board:

Eric Dodd

Eric Dodd

Chief Financial Officer
7 April 2022

¹ Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, other income and foreign exchange (see note 6), share based payments (note 17) and exceptional items (note 5).

Strategic report

Key performance indicators (KPI's)

Attraqt uses KPIs to measure progress in the business, as we become more data-led we plan to expand our suite of KPI's.

Revenue growth

Our goal is to deliver double digit organic revenue growth per year.

Year	Revenue	Growth %
2021	£22.9m	9%
2020	£21.0m*	8%

* Post Early Birds SAS Acquisition

Adjusted EBITDA

Our goal is to achieve positive adjusted EBITDA.

Year	Adjusted EBITDA ¹
2021	£0.7m
2020	£1.1m

¹ Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, other income and foreign exchange (see note 6), share based payments (note 17) and exceptional items (note 5).

Annual Recurring Revenue (ARR)

Our goal is to win higher contract values so the ARR continues to grow.

Year	Exit rate
2021	£21.9m
2020	£21.1m

Annual Recurring Revenue is the annualised revenue per customer contract as at the end of the reporting period and includes any new customer wins in development phase. This excludes one-time fees.

Logos

Our goal is to increase logos year-on-year.

Year	New logos
2021	21
2020	29

Year	Closing logos
2021	178
2020	201

Gross Attrition and Net Revenue Retention (NRR and GA)

Our goal is to obtain 100% net revenue retention and reduce gross attrition so that any new client wins grow the existing business.

Year	Net revenue retention	Gross attrition
2021	104%	11%
2020	102%	14%

Net revenue retention refers to December 2021 ARR, plus all new business sold to these customers, minus lost customers or downsell. Gross Attrition is December ARR minus lost customers.

Strategic report

Risk overview

The Board is responsible for Attraqt's system of internal controls and for reviewing its effectiveness. Internal controls are designed to mitigate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has identified the following key risks facing the business:

Competitive risk

The growth in e-commerce has resulted in a significant increase in competitors seeking to supply online retailers with enabling technology. Attraqt aims to mitigate this risk by maintaining a close relationship with leading customers, investing in new product features and innovation, delivering best-in-class customer support, enhancing brand recognition and service delivery.

The loss of key clients is always a potential threat. However, Attraqt seeks to mitigate this risk in several ways:

- Working closely with clients on the product innovation roadmap to provide competitive advantage to them;
- Investment in technology partnerships to bring new capabilities to the Fredhopper and XO platforms;
- Investment in Attraqt's referral partnership programme with systems integrators to diversify the customer base;
- Investment in extensive client support and training to ensure users are able to use the solutions effectively;
- Where appropriate, pursue M&A opportunities to expand Attraqt's product offering on a permanent basis;
- Sign client contracts for a minimum of 12 months or longer with automatic annual renewals.

Platform outage

As a provider of software as a service, Attraqt relies on its hosting partners to provide an uninterrupted service. This risk is mitigated by partnering with best-of-breed cloud computing providers (Amazon Web Services and Google Cloud), the architectures of which facilitates quick recovery in the event of a single data region failure.

Recruitment and retention

As with any fast-growing software business, Attraqt's growth strategy is predicated on hiring people who will be effective in realising its growth ambitions. Attraqt is committed to the delivery of a comprehensive programme of formal and informal learning and development opportunities aligned to the needs and goals of the business. Attraqt has mitigated this risk by investing in an employee retention programme and has enhanced its in-house recruitment capability. Attraqt recognises that the competition for technical talent has increased during 2021 and believes these initiatives will allow it to remain competitive.

Retail sector exposure

Due to the nature of the technology Attraqt offers, our 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 Attraqt's services.

In 2020 and 2021 Attraqt witnessed an increase in company voluntary arrangements and administrations in the retail sector. Attraqt anticipates this trend will continue into 2022 and beyond due to changes in consumer shopping habits and new disruptive market entrants with innovative business models that may challenge traditional retailers. This places customer contracts and unpaid invoices at risk, increasing the risk of churn and bad debts.

Attraqt seeks to mitigate such risks by:

- Signing clients on long term (12 - 36 month) contracts;
- Continually considering new market opportunities;
- Carrying out credit assessments on new and existing customers;
- Ensuring that our Customer Success team engages with customers that fall into administration at an early stage to negotiate new contracts where novation is not possible; and
- Invoicing clients in advance of the service provided.

Strategic report

Risk overview

Technological risk

Attraqt operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of Attraqt's products and services in the market. To remain competitive and adapt to evolving consumer buying trends, we continue to invest in and improve the responsiveness, functionality, accessibility and other features of our solutions, services and technologies.

Attraqt has invested in developing the size and capability of its Partnerships Team to develop partnerships with complementary technology businesses, systems integrators and strategic partners. Further to this, Attraqt has invested in connectors to major eCommerce platforms such as BigCommerce to access new markets and reduce the amount of time needed to integrate solutions.

Data privacy

Attraqt handles the personal data of its customers and prospective customers, suppliers, contractors, partners and employees. Attraqt is therefore affected by the Data Protection Act 2018, the UK's implementation of the General Data Protection Regulation ("GDPR"). It is noted that the EU has adopted adequacy decisions under the GDPR. As a result, personal data can flow freely from the EU to the United Kingdom where it benefits from an essentially equivalent level of protection to that guaranteed under EU Law.

Attraqt complies with applicable data protection legislation and obligations. All areas of the company that handle personal data have been identified and reviewed. Attraqt's data protection obligations regularly change as local laws are updated. Attraqt reviews and upgrades its security measures, processes and disclosures on an ongoing basis.

Other proposed legislation could impose additional requirements and prohibit the use of certain technologies, such as those that track individuals' activities on web pages or record when individuals click on an in-email link. Such laws and regulations could restrict customers' ability to collect and use email addresses, web browsing data and personal information, which may reduce demand for their products and limit the revenue that may be earned if a customer uses Attraqt's products less due to Attraqt's volume based pricing strategy. The asset purchase of Aleph in 2020 has added AI capability to Attraqt's product offering which improves search capability and reduces the risk associated with such laws.

Climate change

In recent years, both climate change and global warming have become highly topical due to their increasingly visible harmful effect worldwide on the environment, society and economic activity. Attraqt has considered its climate change reporting obligations and the Board considers that in the software sector that Attraqt operates, there is reduced impact on climate change and global warming.

Brexit risk

On 30th December 2020 the UK signed the EU-UK trade and co-operation agreement with the European Union, and that has been applied provisionally at 1 January 2021 when the Brexit transition ended. To date, this had not had a material impact on Attraqt's ability to trade.

Coronavirus

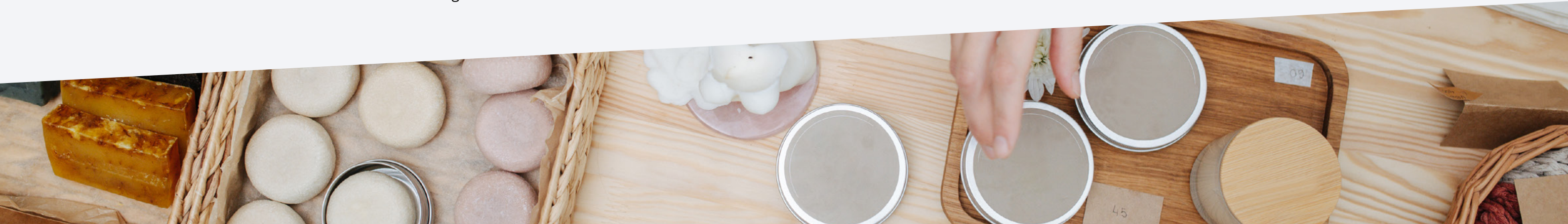
During 2021, when the pandemic was spreading, some customers (current and prospective) delayed planned investment in technology services due to (1) an uncertain financial outlook (2) disruption in the supply chain and (3) the ability of suppliers to produce products. These uncertainties have reduced, although some retailers remain cautious about new investment and the overall trading outlook.

Attraqt has followed the advice provided by the governments in the jurisdictions that it operates in relation to COVID-19. Attraqt's workforce worked remotely during lockdown and is now operating a successful hybrid model of working from both home and office. Overall the business has not experienced any significant decrease in productivity or work output during the pandemic. However, COVID-19 has continued to have an impact on some of our customers' ability to trade due to lockdown restrictions imposed in certain countries.

This has impacted customers that have a bricks and mortar physical presence disproportionately. However, purely online retailers have experienced increases in sales and traffic volume as consumers have increasingly shopped online. Attraqt has been working closely with customers that have been impacted to manage payment schedules and related contractual obligations. Management considers that this initiative has been successful in reducing bad debts.

Foreign exchange risk

Attraqt has exposure to foreign exchange rate risk due to the nature of its operations and cost base. The current political and macro-economic uncertainty means that this risk has increased. Attraqt constantly monitors the currency markets and adjusts forecasts based on expected rates.



Strategic report

Risk overview

Intellectual property

Attraqt's intellectual property rights consist of a combination of copyright, registered and unregistered trademarks, registered domain names, database rights and confidential information. These intellectual property assets (and the continued protection of them) ensure Attraqt's ability to compete in the online comparison market.

Attraqt discloses proprietary knowledge, information and technology to third parties under licensing or other agreements with appropriate obligations on the contracting counterparty to protect that information. However, there is always a possibility that such a party may misappropriate or challenge Attraqt's right to such knowledge, information and technology.

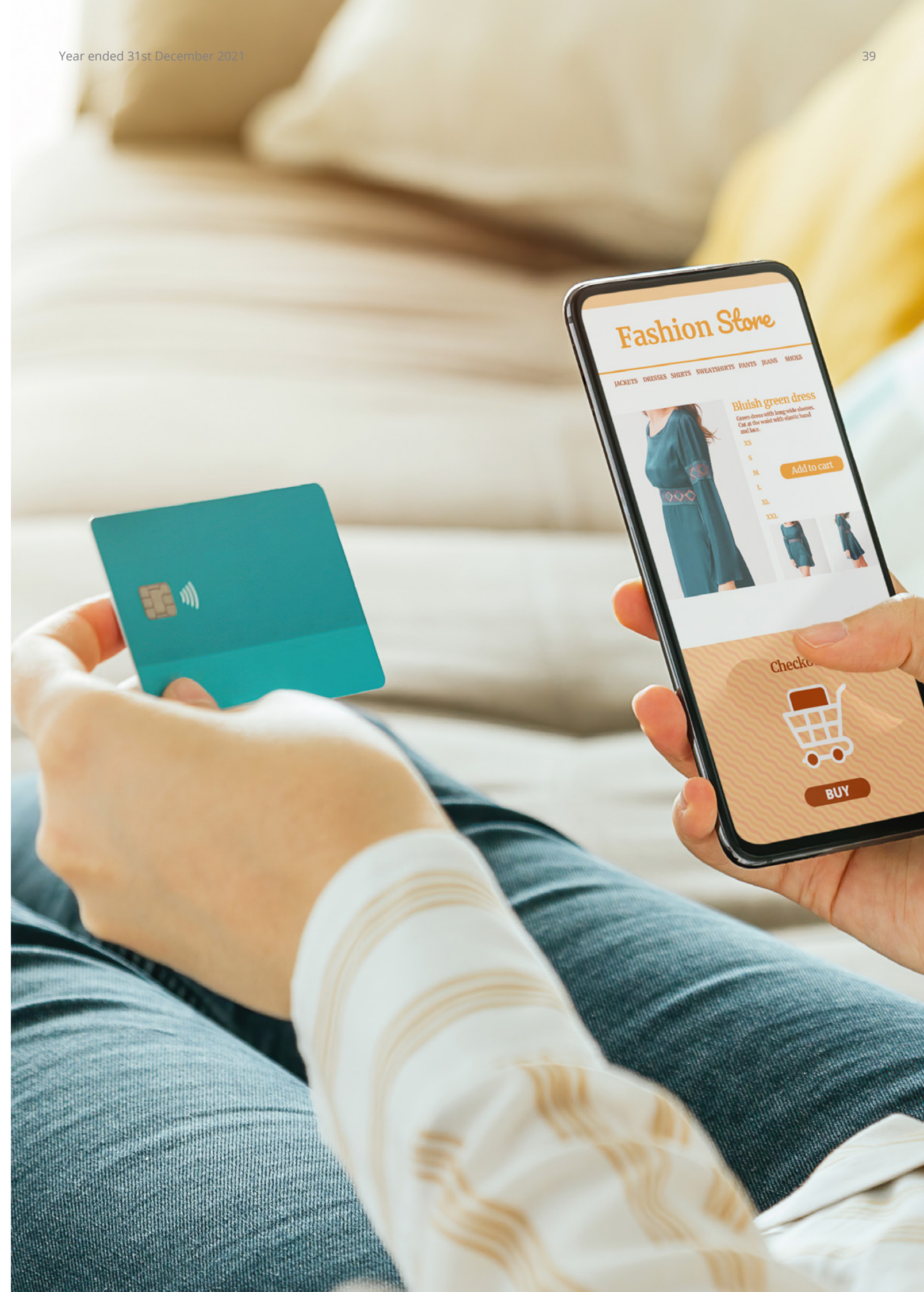
To the extent that Attraqt's brands, technologies and databases are not protected by intellectual property rights, third parties, including competitors, may be able to commercialize or otherwise use Attraqt's brand, technologies and/or databases without compensation.

Attraqt 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 Attraqt to lose part of its competitive advantage.

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

Furthermore, legal action may need to be taken to enforce 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 Attraqt's rights.

Attraqt has reviewed its trade secrets policy following its acquisition of intellectual property assets from Aleph-One GmbH and has put in place improvements to protect the intellectual property from misuse.



Governance Report

Board of directors

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

- The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006.
- The Board regularly reviews our principal stakeholders and how we engage with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.
- The Board has enhanced its methods of engagement with the workforce. In that regard, the Board has appointed Robert Fenner (Non-Executive Director) as the individual responsible for workforce engagement.
- We aim to work responsibly with our stakeholders, including suppliers. The Board has recently reviewed its anti-corruption, anti-bribery, equal opportunities and whistleblowing policies.
- We run an on-going Net Promoter Score programme to measure how we are performing and any issues are followed up with the customers. An annual forum provides customers with updates on future products, presents case studies from existing customers and presents awards to customers in recognition of the work produced using Attraqt technology. The next one is scheduled for September 2022.
- A diversity and inclusion strategy ensures that all employees are treated equally.

Key decisions made impacting stakeholders are set out below:

Significant events/decisions	Key stakeholders	Actions and impact
Continued IP transfer and technology commercialisation following the acquisition of intellectual property assets from Aleph-One GmbH	Shareholders, employees	- Shareholder have been kept up to date on the progress of Attraqt's IP transfer programme, in accordance with regulatory requirements. - Employees in the product, engineering and sales teams have been engaged with the commercialisation of the newly acquired technology throughout 2021. - The long-term impact of this initiative will allow Attraqt to commercialise new product to sell to its current and prospective customers.

COVID-19 remote working	Employees	- Decisions were made for all offices to work from home where possible to protect staff from COVID-19 and the Omicron variant. - The company has invested in remote working technology leading to a minimal impact on employee productivity. - The company has made available mental and physical wellbeing counselling services to all employees to support them during these challenging times. - This decision has enabled Attraqt to effectively mitigate the risk of COVID-19 without any material disruption to usual business operations.
Customer Engagement	Customers	- Attraqt recognises that customer feedback is important to inform product development initiatives. The Group regularly engages with its key customers to obtain such feedback to better understand their business needs. This feedback is valuable and is considered at the executive and Board level. - The long term effect of this initiative has enabled Attraqt to better focus its product roadmap to customer needs.
Expansion of the product management department	Customers, employees	- Customer consultation in relation to the Company's roadmap has increased to ensure that products developed match customer needs. - The development teams have been consulted and trained to work with an expanded product management department. - This departmental expansion has over time has enabled Attraqt to develop better and more robust products, resulting in increased contract values. - In the long term, this will enable Attraqt to keep its software up to date.
Share option participation	Employees	- Share option participation was widened to include employees meeting a one-year service criteria to improve retention. - A performance share plan was implemented in 2021 to incentivise participants to deliver long term shareholder value. - In the long term, this initiative will reduce employee attrition.
Employee Engagement	Employees	- Employees are key to the Group's success and we rely on a committed workforce to help us achieve our business objectives. Employee successes such as customer wins are celebrated throughout the business and team performance is regularly recognised throughout the business. - Monthly "all company" meetings are held to keep all employees updated business progress. - This initiative has resulted in an improved understanding of Attraqt's strategy and objectives throughout the business. - In the long term, this initiative will reduce employee attrition and ensure knowledge is retained in the business.

Eric Dodd

Eric Dodd

Chief Financial Officer
7 April 2022

Governance Report

Board of directors



Tom Crawford
Chairman

Tom was appointed as Chairman on 6th September 2021. Tom has over 20 years of main market listed small cap software business experience and a successful track record of developing and growing international product-based software businesses. Until recently, to January 2020, Tom was Chief Executive Officer of London based Aptitude Software Group Plc, the global financial management software company, having previously led the expansion of the business into North America and Asia Pacific with a dominant position in new market verticals.



Grahame Cook
Independent
Non-Executive Director

Grahame joined the Attraqt in January 2020. He is an experienced FTSE and AIM Non-Executive, with extensive experience as an Audit Committee Chairman. Grahame was at Oxford University, qualified as a Chartered Accountant with Arthur Andersen in 1982 and was an investment banker for 20 years, latterly as a Managing Director at UBS and then Joint CEO of Panmure. Grahame has significant experience of M&A, equity capital markets and investor relations. His current directorships include Senior Independent Director at Molten PLC, a Technology venture capital investment company listed in the FTSE 250.



Laura Harnett
Independent
Non-Executive Director

Laura is an experienced Non-Executive Director and an active angel investor focused on businesses in the retail and consumer industries. She has worked with a variety of companies, from start-ups and privately owned businesses to FTSE 100s, delivering growth and improving profitability. At the heart of her approach is a focus on customer experience and leveraging digital capabilities.



Robert Fenner
Non-Executive Director

Robert joined the Group in 2014, Robert has been a partner in the international law firm Taylor Wessing LLP since 2005, and a solicitor for 28 years. He is a corporate lawyer specializing in advising companies on all aspects of corporate law including listings and mergers & acquisitions. Robert and his firm advises companies (including Attraqt) at all stages of their development whether they be large multinationals or younger growing businesses and has many years of experience advising on listed company transactions.



Governance Report

Board of directors



Luke McKeever
Non-Executive Director

Luke joined Attraqt in May 2018 as Chief Executive having led several successful international private and public technology businesses, including Portrait Software Plc, OB10 and Neighbourly. He left his position as Chief Executive Officer on 30th June 2020 and was appointed as a Non-Executive Director.

He has also worked in leadership and advisory positions for international data and technology companies including Experian, Metia and Alterian.



Mark Adams
Executive Director

Mark joined Attraqt in June 2020 as Chief Executive having previously founded and led European operations for BigCommerce, a leading SaaS eCommerce technology player that went onto IPO for \$5bn. He has also built and ran along with Paul Tough, Attraqt's CTO, one of Europe's most successful SAP Hybris eCommerce systems integrators between 2005 and 2014.



Eric Dodd
Executive Director

Eric Dodd has over ten years of experience in a CFO role and joined Attraqt in 2017 from Iptor Group, a private equity-backed software and services business.

Eric has extensive public company experience, having been CFO at KBC Advanced Technology plc, an oil-focused technology services business, from 2015 until its successful sale to Yokogawa Electric Corporation in April 2016.



Governance Report

Corporate governance report

As an AIM listed company, the Board place the importance of applying sound governance principles in the successful running of the Company. We adopt and adhere to the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) in so far as is practical and appropriate.

The Board refers to the detailed disclosures that may be found on the Company's website at the following address:

<https://www.attraqt.com/about/investors/corporate-governance/>

Attraqt believes that good corporate governance is about having the right people, in the right roles, working together and doing the right things to deliver value for shareholders over the medium to long term and adheres to the following principles:

1. Establish a strategy and business model that creates long-term value for shareholders.

Creating long-term shareholder value is dependent on high quality strategic decisions being made by our Board of directors and Senior Management, including the ability to make wise investments and generate a healthy return on invested capital. It is a result of both growth and operating efficiency.

We build long-term relationships with our customers and working closely with them to develop in-depth knowledge of their innovation needs, business and processes, with a specific focus on delivering measurable returns on investment.

2. Seek to understand and meet shareholder needs and expectation.

The Board considers effective communication with shareholders to be very important and encourages regular dialogue with both institutional and private investors.

In particular, we strive to understand who the key shareholders are as well as their investment strategies and other interests. This information is key not only in engagement with shareholders, but also in exploring how to better communicate corporate strategies to attract the type of long-term shareholders we want.

Communication with shareholders happens on a regular basis and whenever it is requested.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.

Attraqt has during the year engaged in consultation with shareholders and customers to improve the Company's product offering.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to mitigate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The internal control procedures are delegated to Executive Directors and Senior Management in the Group, operating within a clearly defined departmental structure. The Board balances performance and compliance by ensuring that management's actions are consistent with corporate strategy, reflective of the culture of the business, and in-line with the organisation's risk tolerance.

5. Maintain the Board as a well-functioning, balanced team led by the Chair.

- Frequency of reporting - The Board receives information and reporting from key parts of the business each month.
- Quality of information - The information, which is always provided in a timely manner, is of a high quality and comprehensive, ensuring that the Board is well informed and has the tools to facilitate proper assessment of matters which require its insight and decision-making.
- Balance of Executive and Non-Executive Directors.

Governance Report

Corporate governance report

6. Ensure that the Directors collectively have all the appropriate skills, capabilities and experience.

Board composition is at the heart of good corporate governance and high performance. Accordingly, we think strategically about the role Board composition plays in meeting our strategic goals.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

We recognise that Board evaluations can bring substantial benefits and can contribute significantly to performance improvements on the organisational, Board and individual member level. We joined AIM in 2014 and have previously evaluated Board performance informally. However, as the Company has grown, we have purposefully sought to identify and surmount the barriers impeding our effectiveness. In June 2018, we conducted our first formal review of Board performance and intend to formally review Board performance bi-annually, when it is appropriate to do so.

8. Promote a corporate culture that is based on ethical values and behaviour.

The Board bears ultimate responsibility for promoting ethical behaviour. Doing so boosts employee morale, increase performance beyond bare minimums and retains employees in the long run.

Our corporate ethical values involve all employees with each taking personal responsibility for his or her own performance and results.

9. Maintain governance structures and processes that are fit for purpose and support good decision making.

- We recognise that good corporate governance is a key factor in underpinning the integrity and efficiency of a company. In that regard, we apply the core principles of good corporate governance; fairness, accountability, responsibility and transparency.
- The Board seeks to strike a balance between maintaining adequate governance without imposing structures that slow or weaken decision-making and progress. As a result, the Board's structure is fluid, allowing it to adapt where necessary to business challenges.

Attraqt's executive leadership team is actively encouraged by the Board to convey their wins, opportunities and challenges to help achieve business goals. This keeps the Board well informed.

10. Communicate how the company is governed and is performing by maintaining dialogue with shareholders and relevant stakeholders.

The Board is responsible to shareholders for the proper management of the Company and meets formally at least nine times a year to set the overall direction and strategy of the Company, to review operating and financial performance and to consider and advise on Senior Management appointments. The Board also monitors and approves financial policy and budgets, including capital expenditure over an agreed limit. All key operational decisions are subject to Board approval.

The Chairman's role and responsibility for corporate governance

The Chairman has overall responsibility for corporate governance working in conjunction with Attraqt's Company Secretary and General Counsel. In this regard, Attraqt believes that good corporate governance is about having the right people (in the right roles), working together, and doing the right things to deliver value for shareholders as a whole over the medium to long-term. This is achieved through robust decision making by the Board, keeping it dynamic, while at the same time ensuring a consistent corporate culture throughout the organisation.

The Remuneration and Audit Committees were established following Attraqt's admission to AIM on 19 August 2014.

The board of directors

The details of Attraqt's Board, together with the Audit and Remuneration Committees, are set out in the governance section.

The Board aims to meet monthly with a minimum of 9 meetings per annum and is responsible for the overall management of the Attraqt's long-term strategy and objectives and the 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.

Board Meeting Attendance

1st January 2021 to 31st December 2021

Board Member	Independence	Eligible to attend	Attended
Nick Habgood (resigned 6th September 2021)	Non-independent	8	8
Tom Crawford (joined 6th September 2021)	Independent	3	3
Robert Fenner	Non-independent	11	11
Luke McKeever	Non-independent	11	11
Mark Adams	Non-independent	11	11
Eric Dodd	Non-independent	11	11
Grahame Cook	Independent	11	11
Laura Harnett (joined 3rd June 2021)	Independent	5	5

Governance Report

Corporate governance report

Internal advisory responsibilities of the Company Secretary

The Company Secretary at Attraqt acts as a trusted adviser to the Chairman and the Board. In particular, the Company Secretary plays a vital role in relation to both legal and regulatory compliance. The Company Secretary also plays a proactive and central role in ensuring good governance. In this regard, assistance is provided to the Board in preparing for and running effective Board meetings, including the timely dissemination of appropriate information.

Board evaluation

The Board conducted its first Board evaluation in July 2018. This took the form of a Chairman led questionnaire based on clear and relevant objectives, seeking continuous improvement. In doing so, it was established that the Board was well-functioned, balanced and led by the Chair.

The Board plans to conduct the next Board evaluation in 2022.

Training and development of Board members

Where appropriate to do so, and if requested by Board members, Attraqt funds training opportunities and development of Board members.

Directors' remuneration

As set out in the remuneration report, 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 recognize the importance of performance related incentives and executive directors are paid bonuses as deemed appropriate by the Remuneration Committee.

External advice

The Board and its Committees have only sought significant external advice in relation to the structuring of its long-term incentive plan for employees.

Relations with shareholders

Attraqt recognizes the value of communications with its shareholders. As well as the statutorily required news releases via the Stock Exchange, Attraqt 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 and Chief Financial Officer statements contain detailed reviews of the performance and financial position of the company. Attraqt uses these statements and the Directors' Report to present and explain the company's financial position and performance. The directors' responsibility for the financial statements is described the Directors' Report.

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 into the operations of the business and to improve any weaknesses. The directors acknowledge their responsibilities for Attraqt'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 comprised of Grahame Cook as a Chairman and Robert Fenner as a Member.

The auditors of Attraqt 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 Attraqt and the 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. There were three meetings during the year.

Governance Report

Audit committee report

Composition and terms of reference

1st January 2021 to 31st December 2021

Grahame Cook (Chairman), Robert Fenner (Member),
Laura Harnett (Member from 22 March 2022)

Grahame Cook was Audit Committee Chair and Robert Fenner was a Member for the duration of the 2021 financial year. Laura Harnett was appointed a Member of the Audit Committee in March 2022.

The Audit Committee 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. Fees for non-audit services paid to the auditors are not deemed to be of such significance as to impair their independence, and separate teams are used for the services provided therefore the Audit Committee considers that the objectivity and independence of the auditors is safeguarded. The Committee reviews the audit tender and rotation annually, in line with applicable laws and regulations.

Internal control

The Board is responsible for establishing and maintaining Attraqt's system of internal control and for reviewing its effectiveness. The system of internal controls 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 controls and reports to the Board when appropriate with recommendations.

The main features of the system of internal controls are:

- A control environment exists through the close management of the business by the executive directors. Attraqt has a defined organisational 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.

- Attraqt 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 by Attraqt throughout the Group to ensure that the assets are safeguarded and that proper accounting records are maintained.

Board meeting attendance during the year were as follows:

Board Member	Eligible to attend	Attended
Grahame Cook	3	3
Robert Fenner	3	3

Governance Report

Remuneration committee report

Introduction

Attraqt presents its Remuneration Committee report for the 2021 financial year, which sets out the remuneration framework for our Chairman, our Executives and our Non-Executive Directors. The Remuneration Committee report is designed to provide shareholders with a clear and detailed understanding of Attraqt's remuneration framework.

1st January 2021 to 31st December 2021

Robert Fenner (Chair), Grahame Cook (Member),
Laura Harnett (Member from 22 March 2022)

Robert Fenner is a Non-Executive Director who the Board does not consider to be independent due to Attraqt's on-going relationship with Taylor Wessing. Robert is a partner of Taylor Wessing LLP and Attraqt has used services provided by the firm in the year. Attraqt's Chairman may attend Committee meetings as an observer. Grahame Cook is considered to be an independent director. The Remuneration Committee is expected to meet not less than once a year and at such other times as required. Laura Harnett joined the Remuneration Committee on 22 March 2022.

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the chief executive officer, 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 Attraqt'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.

The Remuneration Committee relied on Korn Ferry for external advice with respect to the structuring the Group's long term incentive plan and the appropriate quantum of the related awards. Korn Ferry was selected to provide this advice based on their expertise in this area after considering carefully the suitability of other potential advisors.

Policy on executive directors' remuneration

Executive remuneration packages are designed to attract and retain executives with the qualities and skills responsible for delivering the long-term growth of Attraqt. 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 four main elements of the remuneration package for executive directors and staff: Basic salaries, bonus, pension, and share options.

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.

Bonus scheme

Attraqt has a discretionary bonus scheme for staff and executive directors. No bonus will be paid to the senior leadership or executive leadership team members in relation to the 2021 performance.

Governance Report

Remuneration Committee report

Share options

Attraqt 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. Details about the performance and vesting period can be found in note 17.

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 Director's remuneration

Non-Executive Directors are paid a fee for services as a director. The fee, which is approved by the Board, is mindful of the time commitment and responsibilities of the role and of current market rates for comparable organizations and appointments. All Non-Executive Directors and the Chairman are reimbursed for travelling and other incidental expenses incurred on company business.

The emoluments of the directors were as follows (audited):

	Year ended 31 December 2021				Year ended 31 December 2020	
	Salary & directors' fees	Bonus	Benefits in kind	Pension	Total	Total
	£	£	£		£	£
Executive directors						
Mark Adams(i) (highest paid director)	234,088	-	2,112	6,978	243,178	129,594
Eric Dodd	186,986	-	2,681	5,610	195,277	251,213
Luke McKeever (ii)	-	-	-	-	-	211,349
Non-Executive Directors						
Nick Habgood (iii)	68,696	-	-	-	68,696	70,421
Luke McKeever(ii)	39,273	-	-	-	39,273	20,575
Robert Fenner (iv)	42,536	-	-	-	42,536	40,039
Grahame Cook(v)	43,750	-	-	-	43,750	40,000
Laura Harnett (vi)	23,331	-	-	-	23,331	-
Tom Crawford (vii)	50,260	-	-	-	50,260	-
Total	688,920	-	4,793	12,588	706,301	763,191

- i. Appointed 30 June 2020.
- ii. Resigned 30 June 2020, appointed as a non Executive Director 30 June 2020.
- iii. Is a partner in Azini Capital Partners, the fee for Nick's services is paid to Azini Capital Partners, see note 20. Resigned 6 September 2021
- iv. A partner in Taylor Wessing, the fee for his services is paid to Taylor Wessing, see note 20.
- v. Appointed 6 January 2020
- vi. Appointed 3 June 2021
- vii. Appointed 6 September 2021

Governance Report

Remuneration Committee report

There was no bonus earned in 2021 in relation to services provided in the year. Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors.

On the 22 April 2021 the following performance share options were issued to the executive directors, details are shown in note 17. The performance targets are based on share price performance and revenue growth performance.

- Share price performance over 3 years (50% of awards) – 25% of this part of the award will vest at a share price of 55p increasing on a straight line basis with full vesting at 75p share price on 31 December 2023.
- Revenue growth performance over 3 years (50% of awards) – 25% of this part of the award will vest at revenue of £28m increasing on a straight line basis with full vesting at revenue of £31m measured in financial year ending December 2023.

Executive directors	No of Shares	Grant Price	Grant date	Vesting period
Mark Adams	500,000	1p	22 April 2021	3 years
Eric Dodd	164,000	1p	22 April 2021	3 years

No share options were exercised in either years.

Outstanding share awards

Executive directors	Date of award	Shares granted	Share exercisable
Eric Dodd	15 Dec 2017	1,063,685	16 Dec 2020 – 15 Dec 2027
Eric Dodd	6 Aug 2018	1,063,685	7 Aug 2021 – 6 Aug 2028

Non-Executive Directors	Date of award	Shares granted	Share exercisable
Luke McKeever	25 May 2018	936,315	26 May 2021 – 25 May 2028

Statement of directors' shareholding and share interests

The table below sets out the Directors and non executive shareholdings in the Company.

	Shareholdings	Share options granted	Shareholdings	Share options granted
	As at 31 December 2021	As at 31 December 2021	As at 31 December 2020	As at 31 December 2020
Mark Adams	263,084	2,750,000	-	2,250,000
Eric Dodd	123,842	2,291,370	123,842	2,127,370
Nick Habgood	24,777,955	-	24,777,955	-
Tom Crawford	37,055	-	-	-
Luke McKeever	370,370	2,000,000	370,370	2,000,000
Robert Fenner	-	-	-	-
Grahame Cook	-	-	-	-
Laura Harnett	-	-	-	-

Performance measures are only attached to the 2021 granted share options.

Remuneration for 2021

	% change in basic salary
Chairman	-
CEO	1.5%
CFO	1.5%
Non executive Directors	6.25%

Robert Fenner

Robert Fenner

Chair of the Remuneration Committee
7 April 2022

Governance Report

Directors report

The directors present their report with the financial statements of Attraqt Group plc for the year ended 31 December 2021.

Results

The Group made a loss after tax in 2021 of £3,531,000 (2020 - £2,227,000) on turnover of £22,863,000 (2020 - £21,003,000) representing a loss of £0.02 per share (2020: £0.01). The net cash generated from operating activities was £83,000 (2020 - generated from £517,000).

Dividends

The Board do not propose the payment of a dividend for the year (2020: £nil).

Directors

All directors are expected to devote as much time as is required for the proper performance of their duties. Overall, we anticipate that each director will spend a minimum of three days a month working for Attraqt.

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

- Nick Habgood (resigned on 6th September 2021)
- Tom Crawford (joined on 6th September 2021)
- Eric Dodd
- Mark Adams
- Luke McKeever
- Robert Fenner
- Grahame Cook
- Laura Harnett (joined on 3rd June 2021)

The biographical details of the current directors may be found in the Board of Directors section and are incorporated into this report by reference.

Fostering successful relationships

The directors recognise it is important to foster appropriate business relationships with suppliers, customers, employees and others to promote the success of the Group. These initiatives are described in Section 172 statement.

Qualifying third party indemnity provisions

Attraqt purchases directors and officer's 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 Attraqt's risk management objectives and policies together with its exposure to financial risk are set out in note 19 to the financial statements.

Going concern

After making appropriate enquiries, the directors consider that Attraqt has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The going concern disclosures can be found in note 2 of the financial statements.

Research and Development

Attraqt will 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.

Attraqt will continue to invest in research and development at the same rate as the current year, to ensure the technological risk as set out in the strategic report is mitigated.

Political and Charitable Donations

Attraqt made no political or charitable donations in the 2021 financial year (nil in 2020).

Governance Report

Directors report

Listing

Attraqt's ordinary shares have been traded on the AIM Market of the London Stock Exchange since 19 August 2014. Canaccord Genuity Limited is Attraqt's nominated advisor and broker. The closing Mid-Market share price at 31st December 2021 was 31p.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with the UK adopted international accounting. 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 and of the profit or loss for that period.

In preparing these group and company 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 the UK adopted international accounting standards subject to any material departures disclosed and explained in the group and company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that Attraqt will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company 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 company 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 Attraqt's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in their jurisdictions. The maintenance and integrity of the 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

During 2021 Attraqt progressed the IP transfer and commercialisation of the Aleph Search technology it had acquired in 2020. That work is ongoing and will continue into 2022. The improved integration of the Aleph Search technology into both the Fredhopper and XO platforms will strengthen the product offering in both the Mid-Market and Enterprise segments.

Attraqt has also made progress with its partnership programme to enable better distribution of the products. The directors expect that initiative to continue and contribute towards new bookings in 2022, as relationships with partners begin to mature and a partnership sales pipeline is built.

In the period ahead we will continue to focus on driving the underlying operational effectiveness and performance of the business. We made solid progress during 2021 with customer renewals and upsells to the existing customer base. In 2022, our focus will turn to penetrating the Mid-Market and we have increased selling resources to support this activity.

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 Attraqt'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 Attraqt's auditors are aware of that information.

Branches outside the United Kingdom

The Group operates a number of subsidiaries which include five within the EU.

Auditors

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

Eric Dodd

Eric Dodd

Chief Financial Officer
7 April 2022

Independent auditors report to the members of the Attraqt Group

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company 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.

We have audited the financial statements of Attraqt Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



Independent auditors report to the members of the Attraqt Group

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the directors budget and forecast for the period to December 2023;
- We evaluated the accuracy of previous budgets, through comparison of the 2021 budget to actual results achieved in 2021;
- We discussed the movements in the 2022 budget from the prior year with the directors, focussing on more judgemental areas including revenue growth and margin updates to those achieved in 2021 considering the revenue pipeline. We reviewed the directors sensitivity analysis on these key inputs and performed additional sensitivity analysis to consider the Group's cash flow sensitivity to these inputs;
- We reviewed stress tested forecasts and discussed with the directors the assumptions made. We performed further stress testing by adjusting the directors assumptions to see at what point the model would break. We considered the likelihood of these materialising and the appropriateness of the available mitigating actions;
- We tested the arithmetic accuracy of the directors' cash flow forecasts up to December 2023, including comparison of operating and working capital movements with reference to current year movements, adjusted for budgeted increases, and agreement of financing/investing cash flow amounts to supporting evidence or the directors calculations;
- We compared post year end results and cash balance against that forecast; and
- We reviewed the minutes of post year end Board meetings, and held discussions with those charged with governance to confirm that there were no significant changes to business operations that would impact going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage ¹	100% (2020 - 100%) of Group revenue 90% (2020 - 88%) of Group expenditure 98% (2020 - 99%) of Group total assets
Key audit matters	1. Revenue recognition 2. Capitalisation of internal development costs 3. Recoverability of Group goodwill, intangible assets and Parent company investments
Materiality	Group financial statements as a whole £457,200 (2020: £315,000) based on 2.0% (2020: 1.5%) of Group revenue.



Independent auditors report to the members of the Attraqt Group

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We have identified three significant components within the group being Attraqt Limited, Early Birds SAS and Fredhopper BV which were subject to full scope audits. The financial information of the remaining non-significant components were subject to analytical review procedures. All audit work on both significant and non-significant components was performed by the group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition (notes 2 and 4)

Software as a service (SaaS) revenue is recognised over the period of the contract.

Services revenue is project based and recognised based on the percentage of work completed.

Given that the length and terms of sales contracts can be judgemental, we consider there to be a risk of fraud and error arising from the inappropriate or incorrect calculation of the split between revenue and deferred or accrued revenue.

There is a risk of fraud and error in relation to incorrect revenue recognition around year end due to the pressure on management to achieve forecast profits.

Additionally, there is significant judgement and complexity in the application of appropriate IFRS 15 Revenue from contracts with customers accounting for contracts or contract amendments where these contracts contain unusual or new contract clauses.

How the scope of our audit addressed the key audit matter

Our procedures included the following:

- We recalculated expected revenue and deferred revenue based on a review of the key contract terms, together with the amounts and the timing of the invoices raised for a sample of SaaS revenue.
- For accrued income, we selected a sample of balances and traced the work performed through to supporting timecards and contractual rates to confirm the revenue is appropriately accrued as at year end.
- We selected a sample of customers for whom revenue was recognised in the last quarter; where revenue has been recorded but no deferred revenue exists we have reviewed the contracts and final invoice to confirm the completeness of deferred revenue recognised at the year end.
- We recalculated a sample of Service revenue and deferred/accrued revenue balances based on verified contract values, hourly rates and timecard data.
- We completed cut off testing by tracing a sample of December 2021 and January 2022 Service revenue recognised through to supporting documentation and tested that these items had been appropriately accounted for in the correct accounting period. Cut off has also been tested by confirming the completeness of accrued and deferred revenue as noted above.
- For both revenue streams, we selected manual journal postings over a set threshold to revenue, deferred and accrued revenue and agreed any entries outside our expectations to supporting documentation.
 - We reviewed customers with revenue movements on prior year over a set threshold and obtained any relevant new contracts or contract amendments. We reviewed the contract clauses and assessed management's revenue recognition policy applied against the requirements of IFRS 15.

Key observation: We did not identify any indicators to suggest that revenue has not been recognised appropriately in accordance with the applicable accounting standards.

Independent auditors report to the members of the Attraqt Group

Key audit matter

Capitalisation of Internal Development Costs (Notes 2,3 and 12)

The Group capitalises costs incurred in relation to the development of the software utilised in the Group's service offerings to customers.

In accordance with IAS 38 Intangible Assets, management's policy is to capitalise development costs on internally developed software products if these costs can be reliably measured and meet the relevant capitalisation criteria of the standard, including that future economic benefit would be generated from the project.

There is a significant management judgement in the application of IAS 38 criteria to research and development costs and therefore we assessed that this reflects a significant risk that development costs are incorrectly capitalised in the year.

How the scope of our audit addressed the key audit matter

Our procedures included the following:

- We reviewed a sample of internal and external development costs capitalised in the year and assessed whether the IAS 38 criteria for capitalisation were met.
- We made enquiries of the relevant project managers in the development team to obtain an understanding of the project nature, timing and commercial feasibility. For completed projects we checked that these were being utilised.
- We performed recalculations of staff costs capitalised based on contractual employment terms for the relevant staff member, and hours charged to underlying timecards to ensure that the costs capitalised were in compliance with IAS 38.

Key observation: We did not identify anything to suggest that the judgements made by management in the capitalisation of internal development costs were inappropriate or materially incorrect.

Key audit matter

Recoverability of Group goodwill, intangible assets and Parent Company Investments

Group (Notes 2, 3 and 12) Parent (Parent Company notes 1 and 2)

The Group has significant goodwill balances of £25,649k from a previous year's acquisitions which, as required by IAS 36 Impairment of Assets, is tested for impairment on an annual basis.

Given the significance of the balance of goodwill to the Group financial statements, a potential impairment would have a significant impact on reported results of the Group.

We consider there to be a significant risk in this impairment review due to the extent of management judgement in determining the underlying assumptions used in the impairment review. These assumptions include the discount rate, revenue and margin growth and the terminal growth rate.

Management exercise significant judgement in assessing whether there is an indication of impairment.

How the scope of our audit addressed the key audit matter

Our procedures included the following:

- With the assistance of our internal valuation experts, we tested the key inputs including the discount rate against externally available data and best practise.
- We recalculated the Group's value in use and compared these values against the carrying value of the CGU which includes the Group's intangible assets and the investment in subsidiaries value within the parent company, to consider if an impairment is required.
- We have reviewed management's sensitivity analysis performed on discount and growth rates; for sensitivities on revenue and EBITDA, we have considered past performance and understood from management how they plan to achieve the forecast performance going forward. We performed further downside sensitivity analysis on key drivers of the valuation including revenue growth, terminal value and discount rates to determine the available headroom before an impairment would be required.
- We reviewed the market capitalisation of the Group for any indication of impairment against the carrying value of the CGU which includes the group's intangible assets and parent company investments.

Key observation: We did not identify anything to suggest that the judgements made by management in their annual impairment review were inappropriate, or that the impairment review failed to identify indicators impacting the recoverability of goodwill and intangible assets in the Group or investments in subsidiaries in the Parent Company.

Independent auditors report to the members of the Attraqt Group

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Materiality	457	315	411	284
Basis for determining materiality	2% Group revenue	1.5% Group revenue	1.5% of total assets, restricted to 90% of Group Materiality	1.5% of total assets, restricted to 90% of Group Materiality
Rationale for the benchmark applied	Revenue was considered to be most appropriate basis for determining materiality due to the focus on on-going investment in growth through acquisition and development of software. Revenue also provides a consistent year on year basis for determining materiality and has been determined to be the most relevant performance measure for the stakeholders of the Group. An increase in the threshold set was considered to be appropriate based on our knowledge of the entity and the users of the financial statements. There has also been no significant changes to the Group structure or ownership in the current year.		As a holding entity, total assets is a key measure of performance for stakeholders. Materiality was capped at 90% of Group materiality given the assessment of the component's aggregation risk.	
Performance materiality	£320k	£204k	£287k	£213k
Basis for determining performance materiality	70% (2020: 65%) of materiality. The increase from the prior year takes into consideration our risk assessment, the history of adjustments and managements attitude towards making such adjustments.		70% (2020: 75%) of materiality. Performance materiality has been adjusted to be consistent with Group materiality.	

Independent auditors report to the members of the Attraqt Group

Component materiality

We set materiality for each component of the Group based on a percentage of between 48% and 88% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £219,400 to £402,100. In the audit of each component, we further applied performance materiality levels between 70% and 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £13,700 (2020: £6,300). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Independent auditors report to the members of the Attraqt Group

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Statement of Director's Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditors report to the members of the Attraqt Group

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks through our accumulated knowledge and consideration of sector information that is applicable to the Group.
- We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, accounting standards, Companies Act 2006 and certain requirements from UK and overseas sales tax, employment tax and corporation tax legislation. We have reviewed disclosures within the accounts and agreed them through to supporting documentation.
- We obtained an understanding of how the Group is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries where appropriate through our review of Board minutes and correspondence with the relevant tax authorities.
- We assessed the susceptibility of the Group and Parent's financial statements to material misstatement, including how fraud might occur by discussing with those charged with governance. We considered there was a susceptibility of fraud relating to management override of controls and improper revenue recognition.

In addressing the risk of fraud including the management override of controls we:

- Reviewed the appropriateness of journal entries that were considered to be unusual or higher risk by agreeing the journal raised through to supporting documentation;
- Assessed whether the judgements made by management in making accounting estimates are indicative of a potential bias; and
- Evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.
- In addressing this risk of fraud in revenue recognition, the procedures set out in the key audit matters section above.

The engagement partner has assessed and confirmed that the engagement team collectively had the appropriate competence and capabilities to identify or recognize non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nigel Harker

Nigel Harker

(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, UK

7 April 2022

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



Consolidated income statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	4	22,863	21,003
Cost of Sales	4	(6,698)	(5,502)
Gross profit		16,165	15,501
Administration expenses		(19,763)	(17,822)
Exceptional administrative expenses	5	(562)	(256)
Total administrative expenses		(20,325)	(18,078)
Loss from operations	6	(4,160)	(2,577)
Net finance costs		(82)	(58)
Loss before tax		(4,242)	(2,635)
Taxation credit	8	711	408
Loss for the year		(3,531)	(2,227)
Loss per share attributable to the ordinary equity holders of the company			
Basic and diluted EPS	9	(1.8p)	(1.2p)

The notes form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
(Loss) for the year		(3,531)	(2,227)
Foreign exchange translation differences		(251)	(50)
Total other comprehensive (loss) for the year		(251)	(50)
Total comprehensive (loss) for the year, attributable to shareholders of the parent		(3,782)	(2,277)

The notes form an integral part of these financial statements.

Consolidated statement of financial position

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Plant and equipment	10	220	243
Right of use assets	11	1,171	1,073
Intangible assets	12	41,211	40,585
Total non-current assets		42,602	41,901
Current assets			
Trade and other receivables	14	6,026	6,155
Cash and cash equivalents	15	3,515	6,591
Corporation tax		494	573
Total current assets		10,035	13,319
Total assets		52,637	55,220
Current Liabilities			
Trade and other payables	18	10,080	11,667
Corporation tax		672	267
Total current liabilities		10,752	11,934
Non-current liabilities			
Deferred tax liability	8	2,481	2,839
Bank Loan		394	-
Lease liability	11	686	737
Total non-current liabilities		3,561	3,576
Net Assets		38,324	39,710
Equity			
Issued capital	16	2,016	1,961
Share premium	16	55,480	53,251
Merger reserve		1,457	1,457
Share based payment reserve	17	1,697	1,585
Foreign exchange reserve		(526)	(275)
Accumulated deficit		(21,800)	(18,269)
Total equity attributable to equity holders of the parent		38,324	39,710

The notes form an integral part of these financial statements.

Consolidated statement of changes of equity

For the year ended 31 December 2021

	Notes	Share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020								
Loss for the year		-	-	-	-	-	(2,227)	(2,227)
Foreign currency translation differences		-	-	-	-	(50)	-	(50)
Total comprehensive loss for the year		-	-	-	-	(50)	(2,227)	(2,277)
Contributions by and distributions to owners								
Shares issued	16	161	4,991	-	-	-	-	5,152
Issue costs		-	(256)	-	-	-	-	(256)
Contingent shares to be issued		-	-	-	103	-	-	103
Share based payment charge	17	-	-	-	59	-	-	59
Total contributions by and distributions to owners		161	4,735	-	162	-	-	5,058
Balance at 31 December 2020		1,961	53,251	1,457	1,585	(275)	(18,269)	39,710
Loss for the year		-	-	-	-	-	(3,531)	(3,531)
Total comprehensive loss for the year		-	-	-	-	-	(3,531)	(3,531)
Contributions by and distributions to owners								
Shares issued	16	55	2,229	-	-	-	-	2,284
Issue costs		-	-	-	-	-	-	-
Contingent shares to be issued		-	-	-	(103)	-	-	(103)
Share based payment charge	17	-	-	-	215	-	-	215
Foreign currency translation differences		-	-	-	-	(251)	-	(251)
Total contributions by and distributions to owners		55	2,229	-	112	(251)	-	2145
Balance at 31 December 2021		2,016	55,480	1,457	1,697	(526)	(21,800)	38,324

The notes form an integral part of these financial statements

Consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss for the year		(3,531)	(2,227)
Adjustments for:			
Depreciation of property, plant and equipment	10	142	139
Amortisation of intangible fixed assets	12	3,454	2,817
Depreciation of right of use assets	11	522	574
Income tax (credit)	8	(711)	(408)
Share based payment expense	17	215	59
Finance costs		82	58
Foreign exchange differences		(49)	(99)
		124	913
Decrease/(increase) in trade and other receivables		129	(1,110)
(Decrease)/Increase in trade and other payables		(1,011)	880
Cash (used)/generated in operating activities before interest and tax		(758)	683
Taxation received/(paid)		841	(166)
Net cash generated in operating activities		83	517
Cash flows used in investing activities			
Asset purchase		(350)	-
Fair value gain on forward contract		-	-
Purchases of Property, plant and equipment	10	(128)	(66)
Additions of internal software development intangible	12	(2,025)	(1,341)
Net cash (used)/generated from investing activities		(2,503)	(1,407)

The notes form an integral part of these financial statements.

	Notes	2021 £'000	2020 £'000
Cash flows from financing activities			
Lease payments		(540)	(626)
Lease interest		(66)	(61)
Interest received		-	3
Issue of ordinary shares, net of issue costs		-	3,744
Loan received		-	450
Repayments of loan		(26)	(27)
Net cash (used in)/ generated from financing activities		(632)	3,483
Net (decrease)/ increase in cash and cash equivalents		(3,052)	2,593
Cash and cash equivalents at beginning of year		6,591	3,950
Effect of foreign currency exchange rate changes		(24)	48
Cash and cash equivalents at end of year	15	3,515	6,591

The notes form an integral part of these financial statements

Notes to the financial statements

1. General Information

Attraqt Group plc ("the Company") and its subsidiaries (collectively, the 'Group') principal activity is the development and provision of eCommerce site search, merchandising and product recommendation technology.

The financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors of the Company on 7 April 2022.

The Company is a public limited company which is quoted on the Alternative Investment Market on the London Stock Exchange, and is incorporated, registered and domiciled in England and Wales (registered number: 08904529). The address of its registered office is 7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB.

2. Accounting Policies

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

Basis of preparation

The consolidated financial statements of Attraqt Group plc for the year ending 31 December 2021 comprise the results of Attraqt Group plc ('the Company') and its subsidiaries (together, the 'Group'). These financial statements have been prepared on a going concern basis and in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the group and company financial statements. The parent company financial statements have been prepared in accordance with FRS 101, Financial Reporting Standards Framework. The Group financial statements are presented in UK sterling and all values are rounded to the nearest thousand pounds (£'000), except when otherwise indicated.

The requirements of the Companies Act 2006 here means accounts being prepared in accordance with 'international accounting standards' as defined in section 471(1) of the Act, as it applied immediately before the Implementation Period completion day (end of transition period), including where the company also makes use of which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Further details on the Group's critical judgements and estimates are included in note 3.

Going concern

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, given the uncertainty of COVID-19, the Group has continued to monitor the impact of COVID-19 by reviewing the monthly results versus the budget set for 2021.

The Group has not seen a severe impact in the year with consolidated Revenue up year on year. The consolidated cash balance available to the Group is healthy at £3,515,000. The Group has continued to offer services and support to our clients uninterrupted by the national lockdowns in 2021 and has not relied upon any furlough schemes available. The Group, via Attraqt Limited, took advantage of available options in 2020 to defer VAT which was settled in quarter 1 of 2021.

To address uncertainties arising in the current environment, the Group has maintained the additional financing secured in 2021 of an overdraft facility of £250,000 within Attraqt Limited and will repay the EUR 500,000 loan via its French subsidiary Early Birds S.A.S. over a 5 year period with the first repayment being due in July 2022.

The Group has assessed the ongoing situation in Ukraine and there is limited impact to the business because the Group has no customers or assets in Ukraine, Belarus or Russia. We note that some of our multinational customers have paused business operations in Russia in response to the situation but due to the global reach of these customers, the Group has determined that there will be limited effect. The Group will continue to monitor the situation.

The Group's Directors have revised the Groups forecast taking into account the resilience of future sales, customers and the impacts of future possible COVID-19 related national lockdowns and performed sensitivity analysis on monthly consolidated cash flows to April 2023. Those forecasts make assumptions in respect of future trading conditions, notably the economic environment and its impact on Group's revenues. The forecasts take into account foreseeable downside risks, based on the information that is available to the Directors at the time of approval of these financial statements, however it is not possible to quantify the ongoing impact with certainty.

Directors have identified that there is sensitivity to a reduction in revenue receipts, with sustained reduction of over 9% of annual recurring revenue bringing the Group outside existing cash facilities without any mitigating cost reductions, however they consider this to be unlikely given the impact seen within the business in the current financial year to date and the return to normal with the lifting of restrictions.

Should revenue cash flows deteriorate, management would take some mitigating actions, which include but are not limited to:

- Negotiating longer credit terms with suppliers;
- Changing invoicing terms with customers to upfront payment;
- Reduction in marketing spend in relation to events; and
- Delay in staff recruitment.

Based on the above, acknowledging the uncertainty in the economic environment as a result of the pandemic, the Board remains satisfied that the Group holds sufficient cash together with bank and other facilities and has further options available to meet its working capital requirements for at least 12 months from the date of approval of these financial statements and therefore supports the preparation of the financial statements on a going concern basis.

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. Attraqt invoices in advance which is reported as deferred income and is recognised as revenue in the income statement as the service is delivered to the customer. The Group derives the majority of its revenue from the provision of e-commerce services via a license fee to online retailers which includes site search, merchandising and product recommendation technology. The Group determines the transaction price to which it expects to be entitled in return for providing the promised obligation to the customer based on the committed contractual amounts fixed cost agreed it with clients. The Group has the following revenue streams:

SaaS license fee: In the case of SaaS Licence Fee only contracts, revenue is recognised over time which is measured based on the dates defined in the contract, as the customer has access to the vendor's intellectual property as it exists at any given time throughout the licence period. Implementation fees associated with these licenses are recognised over the transaction period which is defined in the contract, fees not associated with a license are recognised at the end of the implementation period.

On-going services: Revenue in relation to Technical Consulting/Business consulting contracts have distinct performance obligations i.e. the number of consulting days defined in the contract, will be recognised at a point in time according to time and materials used – therefore, once the customer consumes the benefits from the service provided, the revenue is recognised. Revenue from the sale of prepaid services are deferred until such time that the client utilises the services, or the contract expires. Utilisation of services can include either milestones set out in the project or consultancy days, therefore revenue is recognised when the consultancy days have been consumed or milestones defined in the project have been met.

Overage fees: In the case where overage charges apply, revenue is recognised immediately based on the terms defined in the contract, as Attraqt Group do not become entitled to revenue for these charges until it is certain that the usage will breach 100% of the allowance in the contract.

Contract assets represent prepaid commission to employees, this is recognised over the life of the corresponding customer contract in order to match the liability with the revenue earned.

Contract liabilities represents deferred income, which is recognised in over time in accordance with the customer contract.

Exceptional items

Exceptional items are those which, by virtue of their nature, size or incidence, either individually or in aggregate, need to be disclosed separately to allow full understanding of the underlying performance of the Group.

Foreign currency translation

The functional and presentation currency of Attraqt Group plc is GBP. Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the consolidated income statement.

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

Pension

The Group operates a defined contribution scheme. Obligations for contributions to the defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Government grants

Government grants are recognised at fair value when the grant is received and recognised in the statement of profit or loss. The government grants are netted against the expenses of the same nature.

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.

Externally acquired intangible assets not acquired as part of a business combination are initially recognised at cost and subsequently amortised on a straight line basis over their useful economic lives.

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

Intangible Asset	Useful economic life for Fredhopper intangibles	Useful economic life for Early Birds intangibles	Useful economic life for Aleph intangibles	Valuation Method
Customer Relationships	11 years	9 years	n/a	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	10 years	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.
Trade Names	10 years	10 years	n/a	Relief from Royalty Method - the value of intangible assets are estimated by capitalising the royalties saved because the company owns the intangible asset.

The amortisation expense is charged to the administrative expense line in the consolidated statement of comprehensive income.

Internally generated intangible assets (development costs)

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

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

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

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

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

Impairment of assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Consolidation

The results of all subsidiary undertakings are included in the consolidated financial statements. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has: power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Business combinations

Business combinations completed prior to 1 January 2020 are accounted for using the acquisition method. Business combination completed on or after 1 January 2020 the Group has a choice, on a transaction by transaction basis to use a concentration test whereby if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset then this is recognised as an asset acquisition and not a business combination, if this test is not met the acquisition is accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the assets, liabilities and contingent liabilities of acquired businesses at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses.

Goodwill is allocated to one cash-generating unit and is not amortised but is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired.

Property, plant and equipment

Property, plant and equipment is initially recognised at cost and is stated at cost less accumulated depreciation.

Property, plant and equipment is depreciated to reduce the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Plant and machinery	3 years
Fixtures and fittings	3 years

Leasehold Improvements

Leasehold improvements are initially recognised at cost and is stated at cost less accumulated depreciation.

Leasehold improvements are depreciated to reduce the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Leasehold improvements	Over the life of the lease
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Leases

The group leases various offices and equipment. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Leases not meeting low value or short term of less than 12 months criteria are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following;

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

When the Group renegotiates the contractual term of a lease, the lease liability is remeasured using the discount rate applicable on the modification date, with the right of use asset being adjusted by the same amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and a bank loan. The bank loan is repayable over a five year period with no interest. There are no bank overdrafts in either year presented.

Share capital

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

Share based payments

The Group has issued share options to certain employees, in return for which the Group receives services from employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, the Group fair values the options at the grant date using the Black Scholes valuation model to establish the relevant fair values for CSOP options. In 2021 the Group has issued nil cost options to Management and Executive members which have been equally split between those with market conditions and those with a non-market performance condition. The nil cost options with market conditions are fair valued using the Monte Carlo valuation model and the nil cost options with a non-market performance condition are assessed at the end of each financial year to determine the probability of the non-market performance condition being achieved at the vesting date.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions (for example the Group's share price) but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group).

Non-market vesting conditions are included in the assumptions regarding the number of options that are expected to vest. The total expense is recognised over the vesting period. At the end of each period the Group revises its estimates of the number of options expected to vest based on the non-market vesting conditions. It recognises the impact of any revision in the income statement with a corresponding adjustment to equity.

Taxation including deferred taxation

Total income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity and other comprehensive income, in which case it is recognised directly in equity and other comprehensive income.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

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

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- goodwill not deductible for tax purposes;
- the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- investments in subsidiary companies where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Financial instruments

Recognition, derecognition and measurement of financial instruments

Financial assets and financial liabilities are recognised when Attraqt Group becomes party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when the related contractual obligation is extinguished, discharged or cancelled, or when it expires. Financial instruments are recognised and derecognised using settlement date accounting. On initial recognition, financial instruments are measured at fair value. Fair value on initial recognition includes transaction costs directly attributable to the acquisition or issue of financial instruments, except for financial instruments carried at fair value through profit or loss, for which transaction costs are recognised in the consolidated statement of comprehensive income in the period when they are incurred. The Groups Financial assets include trade receivables, other receivables, and cash and cash equivalents, financial liabilities include trade payables, employee benefits, bank loan and employee benefits.

Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified and subsequently measured at:

- amortised cost;
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

Business model assessment

The classification depends on Attraqt Group's business model for managing these financial assets and the contractual terms of the financial asset's cash flows. The business models objectives are broken down into three categories:

- Financial assets held solely to collect contractual cash flows;
- Financial assets held both to collect contractual cash flows and selling the assets; and
- Financial assets that are managed on a fair value basis.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

All other financial assets are classified as measured at FVTPL.

Impairment of financial assets measured at amortised cost

The Group assesses on a forward looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Write-off policy

Financial assets are written-off after the Group has exhausted all possible avenues of recovery from the customer and there is no realistic prospect of recovering the amounts owed.

Financial liabilities

The Attraqt Group classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL or is required to measure liabilities at FVTPL, these include trade payables and short-term monetary liabilities. The Attraqt Group designates a financial liability as measured at FVTPL on initial recognition when it eliminates an accounting mismatch that would otherwise arise from measuring assets or liabilities on a different basis. A description of the basis for each designation is set out in the major types of financial instruments section of this note.

Subsequent measurement of financial instruments

Financial instruments are measured in subsequent periods either at fair value or at amortised cost depending on the financial instrument classification.

Financial instruments classified as at amortised cost

Subsequent to initial recognition, financial assets and liabilities classified in this category are recognized at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to its carrying amount. When calculating the effective interest rate, the Attraqt Group estimate future cash flows, considering all contractual terms of the financial instrument. Interest income, interest expense and the amortisation of loans fees are presented in the Consolidated Statement of Income.

Financial instruments classified as at fair value through profit or loss

Subsequent to initial recognition, gains and losses upon the sale, disposal or write-off of these financial instruments are included directly in the Consolidated Statement of Comprehensive Income and are reported within administrative expenses.

Equity Instruments

The Attraqt Group measures equity instruments at FVTPL, changes in the fair value would be recognised in Statement of Comprehensive Income.

Changes in accounting policy

New standards, interpretations and amendments not applied

As at date of approval of the Group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the Group but not yet effective and thus, have not been applied by the Group:

	Effective date*
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 January 2022†
Annual improvements to IFRS standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022†
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);	1 January 2023†
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023†
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).	1 January 2023†

*The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. Following the UK's withdrawal from the EU on 31 December 2020, the UK-adopted international accounting standards will be applicable. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

†At the date of authorisation of these financial statements, these standards and interpretation have not yet been endorsed or adopted by the UK.

The Group is currently assessing the impact of these new accounting standards and amendments.

The Directors do not expect the adoption of these standards, interpretations and amendments to have a material impact on the Consolidated or Parent Company financial statements in the period of initial application.

3. Critical Accounting Judgements And Estimates

In the application of the Group's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There were no material judgements or estimates used on application of IFRS 9 Financial Instruments or IFRS 15 Revenue from contracts with customers, there were no contracts that straddled year end which required any judgement. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

Judgements

• Leases

Extension and termination options are included in a number of property leases across the Group as well as contracts that include rolling lease periods. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, allow the lease to roll forward for a further lease period or not exercise a termination option. Extension options and rolling lease periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that it is within the control of the Group.

- **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.

Estimates

- **Share based payments**

Share options are recognised as an expense based on their fair value at date of grant and staff turnover. The fair value of the options is estimated through the use of a valuation model – which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life – and is expensed over the vesting period. Some of the inputs used to calculate the fair value are not market observable and are based on estimates derived from available data, such as employee exercise behaviour and employee turnover.

- **Goodwill Impairment**

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Group relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in note 12. As can be deduced from this description, changes in the conditions for these judgements and estimates can significantly affect the assessed value of goodwill.

- **Valuation of acquired intangible assets**

Intangible assets acquired in a business combination are required to be recognised separately from goodwill and amortised over their useful life if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated. The Group has separately recognised the intangible assets acquired during the acquisition for acquisition in prior years (see note 12).

The fair value of these acquired intangible assets is based on valuation techniques. The valuation models require input based on assumptions about the future. The management uses its best knowledge to estimate fair value of acquired intangible assets as of the acquisition date. The value of intangible assets is tested for impairment when there is an indication that they might be impaired (see below). The management must also make assumptions about the useful life of the acquired intangible assets which might be affected by external factors.

- **Goodwill Impairment**

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Group relies on a number of factors, including historical results, business plans, forecasts and market data. This is further described in note 12. As can be deduced from this description, changes in the conditions for these judgements and estimates can significantly affect the assessed value of goodwill.

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4. Segmental reporting

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

	2021 £'000	2020 £'000
Revenue by type		
SaaS	20,870	19,278
Services	1,993	1,725
Total Revenue	22,863	21,003
Cost of Sales by type		
SaaS	4,880	3,932
Services	1,818	1,570
Total Cost of Sales	6,698	5,502
Gross profit	16,165	15,501

There is no one customer which contributed more than 10% of the Group's revenues in 2021 (2020: 1 customer – contributing £2.1m).

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

	2021 £'000	2020 £'000
Geographical split of revenue		
UK	10,537	9,861
France	5,058	4,979
Netherlands	2,492	2,441
Rest of Europe	3,126	2,619
Rest of the World	1,650	1,103
Total Revenue	22,863	21,003

Contract assets and liabilities

Contract Assets	2021 £'000	2020 £'000
At 1 January	828	175
Recognised	1,041	1,360
Amortised	(989)	(707)
At 31 December	880	828

Contract liabilities	2021 £'000	2020 £'000
At 1 January	5,545	5,438
Recognised as revenue	(20,870)	(20,015)
Recognised as deferred income	21,120	20,122
At 31 December	5,795	5,545

Contract assets are included within trade and other receivables, contract liabilities are included within trade and other payables. The contract liability balance arises from contracts that relate to the next financial year. Contract assets relate to upfront commissions which are amortised over the length of the contract which can span up to 3 years.

5. Exceptional items

During 2021, total exceptional costs incurred £562,000 (2020: £256,000) of which £482,000 relates to severance and people related costs, £80,000 in relation to final settlement for the EB acquisition.

The exceptional costs for 2020 consist of £38,000 relating to restructuring, £35,000 relating to entity closure costs and £183,000 relating to the legal and professional advice associated with the asset purchase and post-acquisition integration.

6. Loss from operations

	2021 £'000	2020 £'000
Loss from operations is taken after taking account of the following items		
Staff costs (see note 7)	12,949	12,368
Depreciation of property, plant and equipment (see note 10)	142	139
Amortisation of intangible assets (see note 12)	3,454	2,817
Amortisation of Right of use assets (see note 11)	522	574
Operating lease expense	56	100
Research and Development costs	1,204	1,254
Foreign exchange (profit)/loss	49	(99)
Other income	-	(54)

Audit and non-audit services		
Fees payable to the company's auditors for the audit of the Group annual accounts:		
Group annual accounts and subsidiary undertakings	130	130
Fees payable to the company's auditor and its associates for other services:		
Tax services	43	21
Audit related assurance services	9	10
Other services	-	5

7. Staff costs

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

(No.)	2021	2020
Sales	17	15
Technical	107	105
Management (including directors)	6	6
Administration	35	33
	165	159

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

(No.)	2021	2020
Sales	17	15
Technical	107	104
Management (including directors)	6	6
Administration	34	32
	164	157

The aggregate payroll costs of these persons were as follows:

	2021 £'000	2020 £'000
Staff costs (including directors) comprise:		
Wages and salaries	10,447	10,225
Social security contributions and similar taxes	1,957	1,827
Pension	330	257
Share Based Payment	215	59
	12,949	12,368

Capitalised staff costs total £1,275,000 (2020: £873,000). Pension costs are in respect of the defined contribution scheme; there were unpaid contributions at 31 December 2021 of £97,000 (2020: £91,000).

The total of the directors' remuneration is £922,000. The highest paid director is £343,000.

8. Taxation

	2021 £'000	2020 £'000
Tax (credit)/charge comprises:		
Current tax on loss for the year	(368)	(242)
Current tax adjustment in relation to prior years	15	192
Deferred Tax for the year	(358)	(358)
	(711)	(408)

The effective tax assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK.

The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

	2021 £'000	2020 £'000
Loss for the year before tax	(4,242)	(2,635)
Expected tax charge based on the standard rate of United Kingdom corporation tax at the domestic rate of 19.00% (2020 – 19.00%)	(806)	(501)
Expenses not deductible for tax purposes	93	191
Adjustment in respect of prior years	15	192
Unrelieved losses arising in the period	371	231
Additional deduction for R&D expenditure	(482)	(642)
Surrender of tax losses for R&D tax credit refund	85	91
Changes in rates of tax	-	-
Adjustment for different rates of corporation taxation in overseas jurisdictions	13	30
Total tax (credit)	(711)	(408)

At 31 December 2021, tax losses estimated at £8.7m (2020: £8.5m) were available to carry forward by the Attraqt group, arising from historic losses incurred. Management believe it is prudent not to recognise the deferred tax asset until they can be utilised against future profits.

On the 3 March 2021 Budget it was announced that the UK tax rate will increase from 19% to 25% from 1 April 2023. This has a consequential effect on the company's future tax charge. The rate change to 25% had been substantively enacted at the current balance sheet date. The impact of the rate change in the current year is therefore £nil.

Deferred tax

	£'000
At 1 January 2020	3,197
Arising through business combinations	-
Recognised in profit or loss	(358)
At 31 December 2020	2,839
Recognised in profit or loss	(358)
At 31 December 2021	2,481

	2021			2020		
Categorised as	Asset £'000	Liability £'000	Net £'000	Asset £'000	Liability £'000	Net £'000
Arising through business combinations	2,481		2,481	2,839		2,839
Accelerated capital allowances		(142)	(142)		(142)	(142)
Available losses	142		142	142		142
Tax asset/(liabilities)	2,623	(142)	2,481	2,981	(142)	2,839

9. Loss per share

	2021 £'000	2020 £'000
Numerator		
Loss for the year after tax and loss used in basic and diluted EPS	(3,531)	(2,227)
Denominator		
Weighted average number of shares used in basic and diluted EPS	198,435,537	184,051,542
Loss per share – basic and diluted	(1.8p)	(1.2p)

The outstanding share options calculation are antidilutive, due to loss made in the year.

10. Property, plant and equipment

	Leasehold Improvements	Plant and Machinery	Fixtures and Fittings	Total
Cost	£'000	£'000	£'000	£'000
At 1 January 2020	124	340	74	538
Additions	-	66	-	66
Disposals	-	(150)	-	(150)
At 31 December 2020	124	256	74	454
Additions	33	95	-	128
Disposals	-	(3)	-	(3)
Foreign exchange	-	(11)	-	(11)
At 31 December 2021	157	337	74	568

Depreciation

At 1 January 2020	15	185	20	220
Charge for the year	21	94	24	139
Disposals	-	(148)	-	(148)
At 31 December 2020	36	131	44	211
Charge for the year	36	82	24	142
Disposals	-	(2)	-	(2)
Foreign exchange	-	(3)	-	(3)
At 31 December 2021	72	208	68	348

Net Book Value

At 1 January 2020	109	155	54	318
At 31 December 2020	88	125	30	243
At 31 December 2021	85	129	6	220

11. Right of use assets and lease liabilities

Amounts recognised on the statement of financial position

	Leasehold Properties	Total
Cost	£'000	£'000
At 1 January 2020	1,820	1,820
Additions	-	-
Remeasurement of lease	293	293
At 31 December 2020	2,113	2,113
Additions	85	85
Remeasurement of lease	535	535
At 31 December 2021	2,733	2,733

Depreciation

At 1 January 2020	466	466
Charge for the year	574	574
At 31 December 2020	1,040	1,040
Charge for the year	522	522
At 31 December 2021	1,562	1,562

Net Book Value

At 1 January 2020	1,354	1,354
At 31 December 2020	1,073	1,073
At 31 December 2021	1,171	1,171

The Group lease various offices. Rental contracts are typically made for fixed periods between 12 months and 6 years but may have extension options as well as leases that include rolling contractual periods when the existing lease expires these are described below. Rental contracts are signed at a fixed price however some have variable increases which are linked to RPI.

Extension and termination options are included in some of the property leases across the group. These are used to maximise operational flexibility in terms of managing assets used in the Group's operations including variable increases to the rental amounts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise and option, or not exercise the option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Management have determined that termination option for the London office will not be exercised.

The following property leases were modified due to extension terms agreed: in April 2021 Fredhopper BV renewed the lease for a period of 12 months and Attraqt Limited entered into a 2 year lease for an office in Chertsey. A remeasurement was completed for the Netherlands and Paris leases which are assumed to renew for an additional year when the leases end during 2022.

11. Right of use assets and lease liabilities continued

Amounts recognised in the statement of profit or loss

	Leasehold Properties	Total
	£'000	£'000
Amortisation	522	574
Interest expense	66	61
Expenses relating to short term leases and low value assets	56	100
	644	735
Total cash outflow for lease in 2021	540	626

Lease liability recognised as at 31 December	2021	2020
	£'000	£'000
Of these which are:		
Current lease liabilities	614	416
Non-current lease liabilities	686	738
	1,300	1,154

The total future value of minimum short term and low value operating lease payments is due as follows:

Amounts recognised in the statement of profit or loss

	2021	2020
	£'000	£'000
Not later than one year	35	40
Later than one year and not later than five years	1	3
	36	43

12. Intangible assets

	Goodwill	Customer relationships	Existing Technology	Trademark	Software Development	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2020	25,649	6,709	8,685	1,136	4,223	46,402
Additions - internally developed	-	-	-	-	1,341	1,341
Acquired through asset purchase	-	-	1,826	-	-	1,826
Foreign Exchange	-	39	-	-	95	134

At 31 December 2020	25,649	6,748	10,511	1,136	5,659	49,703
Additions - internally developed	-	-	-	-	2,025	2,025
Acquired through asset purchase	-	-	2,179	-	-	2,179
Foreign Exchange	-	(49)	-	-	(245)	(294)
At 31 December 2021	25,649	6,699	12,690	1,136	7,439	53,613

Amortisation

At 1 January 2020	-	1,283	2,157	242	2,566	6,248
Charge for the period	-	659	1,113	114	931	2,817
Foreign Exchange	-	14	-	-	39	53

At 31 December 2020	-	1,956	3,270	356	3,536	9,118
Charge for the period	-	656	1,355	114	1,329	3,454
Foreign Exchange	-	(22)	-	-	(148)	(170)
At 31 December 2021	-	2,590	4,625	470	4,717	12,402

Net Book Value

At 1 January 2020	25,649	5,426	6,528	894	1,657	40,154
At 31 December 2020	25,649	4,792	7,241	780	2,123	40,585
At 31 December 2021	25,649	4,109	8,065	666	2,722	41,211

12. Intangible assets continued

The net book value and expiry dates for the most significant intangibles are as follows:

	Expiry Fredhopper BV	Expiry Early Birds SAS	Expiry Aleph	Early Birds SAS Net book value	Fredhopper BV Net book value	Aleph Net book value	Early Birds SAS Net book value	Fredhopper BV Net book value	Aleph Net book value
				£'000	£'000	£'000	£'000	£'000	£'000
				2021	2021	2021	2020	2020	2020
Customer relationships	2028	2028	-	1,636	2,395	-	1,891	2,796	-
Existing technology	2024	2029	2030	2,878	1,500	3,687	3,267	2,186	1,804
Trademark	2027	2029	-	258	408	-	293	487	-

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. There is only one CGU as services are tied to SaaS revenue. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

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

	2021	2020
	£'000	£'000
Attraqt Group plc	25,649	25,649

The key assumptions used in the estimation of the recoverable amounts are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical internal data:

	2021	2020
Discount rate	12.25%	12.25%
Revenue growth rate	13%	14%
Budgeted EBITDA margin (average growth over next 5 years)	16.7%	14%
Terminal growth rate	5%	5%

The cash flow projections include specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on long term inflation growth rate due to the expectations of the market in which Attraqt Group plc operates.

The discount rate was a post-tax measure based on weighted average cost of capital.

Budgeted EBITDA is estimated by taking into account past practice as follows:

- Revenue is assumed to grow at 13% based on historical growth and management's expectations of future trends.
- The cost base is assumed to grow at an average rate 10% over the next three years, this is non consistent rate of growth.

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

In percent	2021	2020
Revenue growth rate*	(6.3)	(5.1)

*assumes that the variable costs base associated with cost of sales reduces in line with revenue reduction as the cost base is driven by customer usage.

13. Subsidiary undertakings

As at 31 December 2021, the subsidiaries of Attraqt Group plc, all of which have been included in these consolidated financial statements, are as follows:

Name	Proportion of ownership Interest	Country of Incorporation and principal place of business	Registered Office
Attraqt Limited	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB
Attraqt Inc. ¹	100%	USA	330 N Wabash Ave, Chicago, IL 60611, USA
Early Birds SAS	100%	France	36 rue Scheffer, 75116, Paris, France
Fredhopper BV	100%	Netherlands	Wework Metropool, Weesperstraat, 61-105 Amsterdam 1018VN
Spring Technologies EOOD ²	100%	Bulgaria	1000 Sofia city, Sredec district,, 47A, Tsarigradskok shosse blvd, bl. B, fl. 2, apt. 201A
Fredhopper SARL ²	100%	France	36 rue Scheffer, 75116, Paris, France
Fredhopper GmbH ²	100%	Germany	Neuer Wall 50, 20354 Hamburg, Germany
Fredhopper (Australia) Pty Limited ²	100%	Australia	Level 19, 207 Kent St, Sydney NSW 2000
FCLS RM 7 Limited (dormant)	100%	UK	7th Floor, 222-236 Gray's Inn Road, London, WC1X 8HB

1 - Held through Attraqt Limited

2 - Held through Fredhopper BV

The principal activity of all companies with the Group is the provision of software as a service, with the exception of FCLS RM 7 Limited which is a holding company and is dormant.

14. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	3,996	4,215
Less: expected credit losses	(206)	(142)
Trade receivables - net	3,790	4,073
Prepayments and accrued income	2,034	1,829
Other receivables	202	253
Total trade and other receivables	6,026	6,155

Trade receivables comprise amounts due from customers for goods sold or services performed in the ordinary course of business. Invoices to customers are settled within 30 – 90 day credit terms with the average being 45 days after the date of issue. The ageing of trade receivables is shown below and shows amounts that are current and past due at the reporting date. A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's receivables and the perceived credit quality of its customers.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using lifetime expected loss rates, these have been derived from historical default rates of the Group, adjusted for credit quality of each customer and forward looking estimates including consideration for the risk of a downturn in the high street.

14. Trade and other receivables continued

Expected credit losses

The lifetime expected loss provision for the trade receivables is as follows:

31 December 2021	Current	Up to 30 days old	More than 30 days old	More than 60 days old	More than 120 days old	Total
Expected loss rate	0.5%	3%	4%	9%	20%	
Gross carrying amount	2,899	721	151	27	46	3,844
Loss provision	14	22	6	2	10	54
Gross carrying amount for lifetime credit loss	-	-	-	-	152	152
Loss provision for lifetime credit loss	-	-	-	-	152	152
Total loss provision	14	22	6	2	162	206

31 December 2020	Current	Up to 30 days old	More than 30 days old	More than 60 days old	More than 120 days old	Total
Expected loss rate	0.5%	3%	4%	9%	20%	
Gross carrying amount	3,547	272	11	96	216	4,142
Loss provision	18	5	-	9	44	76
Gross carrying amount for lifetime credit loss	-	-	-	-	66	66
Loss provision for lifetime credit loss	-	-	-	-	66	66
Total loss provision	18	5	-	9	110	142

At 31 December 2021 trade receivables of £152,000 (2020: £66,000) had life time expected credit losses of the full value of the receivables. All other trade receivables have been calculated on a 12 month expected credit loss rate.

	2021 £'000	2020 £'000
As at 1 January	142	95
Write off	(15)	(23)
Recognised	68	88
FX movement	11	(18)
As at 31 December	206	142

15. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank	3,566	6,672
Bank loan	(51)	(81)
	3,515	6,591

The Group acquired the bank loan as part of the Early Birds acquisition, the terms of loan are interest free and is repayable over five years.

16. Share capital and reserves

Allocated, called up and fully paid

	2021	2021	2021	2020	2020	2020
	£'000		£'000	£'000		£'000
	Number of Shares	Share capital	Share Premium	Number of Shares	Share capital	Share Premium
Ordinary shares of £0.01 each						
At 1 January	196,149,171	1,961	53,251	180,048,207	1,800	48,516
Shares issued for cash during the year				12,500,000	125	3,619
Shares issued to sellers as part of asset purchase and acquisition	5,401,446	55	2,229	3,600,964	36	1,116
At 31 December	201,550,617	2,016	55,480	196,149,171	1,961	53,251

The Company issued 5,131,374 1p Ordinary shares at 42.5p on 26 July 2021 which related to 95% of the unpaid deferred consideration to the sellers for the asset purchase of the Aleph software. The Company issued 270,072 1p Ordinary shares at 37.50p on 7 October 2021 which was the remaining 5% of the deferred consideration to the sellers for the purchase of the Aleph software. The Company has a total of 201,550,617 ordinary shares in issue, all of which have voting rights. In 2020 Company raised £4,000,000 before expenses, by private placing of 12,500,000 1p Ordinary shares at 32p on 1 October 2020. 3,600,964 Ordinary shares were issued to the sellers as consideration for the asset purchase of the Aleph software.

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 and contingent shares.
Merger reserve	The merger reserve results from the application of merger accounting on the merger of Attragt Inc and Attragt Limited.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

17. Share based payments

The company operates two equity-settled share based remuneration schemes for employees: a United Kingdom tax authority approved scheme and an unapproved scheme for executive directors and certain Senior Management. The scheme expired for new awards to management level and above in 2021 but existing grants will remain protected. Both options are valid for 10 years from the date of grant. After satisfaction of any performance condition included in the award the options will become exercisable on the earlier of any of the following events:

- The third anniversary of the date of grant (with the exception of the below);
- 2,250,000 shares granted on 5th August 2020 vest 25% per annum over 4 years;
- Shares granted on 10th July vested immediately;
- 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.

The company has replaced the unapproved scheme for executive directors and certain Senior Management with a long term incentive plan (LTIP) for management level based on proposed performance conditions which are more closely aligned with the strategy and objectives of the business. These LTIPs are exercisable at nil cost to the individual (with the exception of the 1p nominal value of each share awarded). This will be an annual award. 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 (with the exception of the below); or
- On a change of Control of the Company as defined in the Plan rules; or
- On a Sale or Disposal of the Company as defined in the Plan rules; or
- Following the exercise of discretion by the Board.

17. Share based payments *continued*

Details of the number of share options and the weighted average exercise price outstanding during the year are as follows:

	2021 WAEP		2020 WAEP	
	Number	Price (pence)	Number	Price (pence)
Outstanding at the beginning of the year	13,229,991	32.59	12,607,818	31.67
Granted during the year	2,669,000	4.87	3,710,000	27.37
Forfeited during the year	(905,490)	37.02	(3,087,827)	33.49
Outstanding at the end of the year	14,993,501	26.98	13,229,991	32.59
Exercisable at the year end	6,545,817	34.52	4,948,806	36.57

2021 WAEP	CSOP		Nil cost options		Total	
	Number	Price (pence)	Number	Price (pence)	Number	Price (pence)
Outstanding at the beginning of the year	13,229,991	32.59	-	-	13,229,991	32.59
Granted during the year	255,000	41.50	2,414,000	1.00	2,669,000	4.87
Forfeited during the year	(805,490)	41.50	(100,000)	1.00	(905,490)	37.02
Outstanding at the end of the year	12,679,501	31.72	2,314,000	1.00	14,993,501	26.98
Exercisable at the year end	6,545,817	34.52	-	-	6,545,817	34.52

No options were exercised during the year.

The company uses a Black Scholes model for grants issued with a share price performance criteria for employees and those grants for executive directors and certain Senior Management prior to 2021. A Monte Carlo model is used to estimate the fair value of the performance share options granted in 2021.

The following information is relevant in the determination of the fair value of options granted using the Black Scholes model. 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.
- No variables change during the life of the option (e.g. dividend yield remains zero).
- Volatility has been calculated over a 6 year period prior to the grant date.
- Expectations of staff retention of 10% over the vesting period have been added into the calculation.

The following information is relevant in the determination of the fair value of options granted using the Monte Carlo model. 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.
- No variables change during the life of the option (e.g. dividend yield remains zero).
- Volatility has been calculated over a 3 year period prior to the grant date.
- Expectations of staff retention of 10% over the vesting period have been added into the calculation.

Details of the share options granted as follows:

Grant date	22-Apr-21	22-Apr-21	22-Apr-21
Option pricing model	Black Scholes	Monte Carlo	Probability
Number of shares	255,000	1,207,000	1,207,000
Share price on grant date	41.50p	41.50p	41.50p
Exercise price (£)	41.50p	1.00p	1.00p
Weighted average contractual life	6 years	3 years	3 years
Staff retention rate	10%	10%	10%
Risk-free interest rate	0.07%	0.13%	0.07%
Volatility	29.73%	27.20%	30.04%
Probability of revenue achievement	-	-	70%
Total Fair Value (£)	27,214	107,109	307,966

The total expense recognised during the year by the Group, for all schemes, was £215,000 (2020: £59,000) net of forfeitures. The weighted average remaining life of the options outstanding at the end of the year was 7.3 years (2020: 7.8 years). No options were exercised during the year.

18. Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	1,659	1,268
Accrued and other payables	585	1,460
Bank loan	26	450
Lease liability (note 11)	614	416
Other taxes	117	741
Contract liability	5,795	5,545
Employee benefits	753	1,334
Employee taxes	531	453
Total Trade and other payables	10,080	11,667

The bank loan has restrictions on sale of assets without prior agreement, whereby we would need to seek approval if we were to sell assets of Early Birds SAS that are greater than 50% of gross assets.

19. Financial risk management and impairment of financial assets

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables

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

Financial assets at amortised cost	2021	2020
<i>Current</i>	£'000	£'000
Trade receivables	3,790	4,073
Accrued income	337	189
Other receivables	202	253
	4,329	4,515
Cash and cash equivalents	3,515	6,591

All financial assets held by the Group at 31 December 2021 are classified as cash and cash equivalents or financial assets at amortised cost and there is no difference between the carrying amount and the fair value.

19. Financial risk management and impairment of financial assets *continued*

Financial liabilities at amortised cost

Financial liabilities at amortised cost	2021	2020
	£'000	£'000
Trade receivables	1,659	1,268
Accrued income	585	1,460
Lease liabilities	1,300	1,154
Bank loan	420	450
Employee benefits	753	1,334
	4,717	5,666

All financial liabilities held by the Group at 31 December 2021 are classified as held at amortised cost.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Chief Executive Officer. The Board receives reports from the Chief Financial Officer through which reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings take into account local business practices. The carrying amount of financial assets represents the maximum exposure. The credit quality of all financial assets that are neither past due nor impaired is high. In accordance with internal policy, Attraqt promptly identifies the deterioration of the financial condition for our customer base by monitoring the credit ratings and publicly available information. The risk is not expected to be material as payment is generally received in advance of services and good provided.

The Group considered if that there was an impairment if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Default or late payments (more than 30 days past payment due date).

Receivables for which an impairment provision was recognised was written off against the provision when there was no expectation of recovering additional cash.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables are provided in note 14.

Foreign exchange risk

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

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

Transaction risk

The Group's material transaction exposure arises on costs denominated in currencies other than the functional currency of the Group, including salaries and our hosting platform. This has been mitigated as far as possible by matching revenue and costs with the respective currencies in each of the subsidiaries locations resulting in an immaterial foreign currency risk at an entity level. Foreign currencies are not hedged.

19. Financial risk management and impairment of financial assets *continued*

Market risk

Attraqt Group's customers are mainly in the retail sector which has been buoyant during the pandemic with a move towards more online sales. The Group is looking to further diversify into adjacent vertical markets such as DIY, Health & Beauty and Business to Business to mitigate the exposure to any changes in the retail sector.

Liquidity risk

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 30 days.

The Board receives rolling 12-month cash flow projections on a quarterly basis as well as information regarding cash balances. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

In the management of liquidity risk, the group monitors and tries to maintain a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

2021 £'000	Up to 3 months	3 – 12 months	1 – 2 years	2 – 5 years	Over 5 years
Trade payables and employee benefits	2,412	-	-	-	-
Accruals and other payables	585	-	-	-	-
Lease liabilities	-	26	84	252	58
	179	538	521	403	-
	3,176	564	605	655	58
2020 £'000	Up to 3 months	3 – 12 months	1 – 2 years	2 – 5 years	Over 5 years
Trade payables and employee benefits	2,602	-	-	-	-
Accruals and other payables	1,460	-	-	-	-
Bank loan	-	28	90	270	62
Lease liabilities	184	552	382	485	81
	4,246	580	472	755	143

Capital management

The Group's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to continue the future development of the business and to optimise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets plus net debt. The Group's net assets at 31 December 2021 were £38.3 million (2020: £39.7 million) and net debt, calculated as total debt (comprising bank loans), less cash and cash equivalents amounted to £3.5 million (2020: £6.1 million).

In 2020, the Group issued shares via a fund raise of £4,000,000 to purchase the Aleph Search software and a subsidiary was granted a loan of £450,000 in 2020. This bank loan is payable over a five year period with a pandemic delayed start date of October 2022.

Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires approval by the Board.

20. Related party transactions

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

	Purchase of services		Amounts owed to related parties	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Azini Capital Partners ¹	69	70	-	20
Taylor Wessing ²	43	40	-	-
Taylor Wessing ³	27	213	-	-

1. Azini Capital Partners – Nick Habgood is a partner in Azini Capital Partners, and his Directors fees were paid to Azini Capital.

2. Robert Fenner is a partner in Taylor Wessing LLP, and his Directors fees were paid to Taylor Wessing LLP.

3. During the current year Taylor Wessing provided various legal and professional fees, in the prior period, the fees were in relation to the Fund raising and asset purchase of Aleph software.

Details of the directors' emoluments, together with the other related information, are set out in the Report of the Remuneration Committee.

Key Management personnel

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

	2021	2020
	£'000	£'000
Salary, Director fees, bonus and benefits in kind	694	750
Employers National Insurance	63	79
Pension	13	13
Share based payments	215	(4)
	985	838

Further information about the remuneration of individual Directors is provided in the Directors remuneration report.

21. Capital commitments

There were no capital commitments in 2021.

Company statement of financial position

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investments	2	43,385	40,991
Amounts owed by group undertakings	7	11,462	12,343
Total non-current assets		54,847	53,334
Current assets			
Trade and other receivables	3	194	332
Total current assets		194	332
Total assets		55,041	53,666
Current liabilities			
Trade and other payables	4	113	609
Total current liabilities		113	609
Net Assets		54,928	53,057
Equity			
Share capital	5	2,016	1,961
Share premium	5	55,480	53,251
Share based payment reserve	6	1,697	1,585
Retained earnings		(4,265)	(3,740)
Total equity		54,928	53,057

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 £525,000 (2020: profit £105,000).

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

The parent company financial statements and related notes were approved and authorised for issue by the Board on 7 April 2022 and signed on their behalf.

Eric Dodd

Eric Dodd

Chief Financial Officer
7 April 2022

Company statement of changes of equity

For the year ended 31 December 2021

	Notes	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020						
		1,800	48,516	1,423	(3,845)	47,894
Profit for the year		-	-	-	105	105
Total comprehensive profit for the year		-	-	-	105	105
Contributions by and distributions to owners						
Shares issued	5	161	4,991	-	-	5,152
Issue costs	5	-	(256)	-	-	(256)
Share based payment charge	6	-	-	59	-	59
Contingent shares to be issued		-	-	103	-	103
Total contributions by and distributions to owners		161	4,735	162	-	5,058
Balance at 31 December 2020						
		1,961	53,251	1,585	(3,740)	53,057
(Loss) for the year		-	-	-	(525)	(525)
Total comprehensive (loss) for the year		-	-	-	(525)	(525)
Contributions by and distributions to owners						
Shares issued	5	55	2,229	-	-	2,284
Share based payment charge	6	-	-	215	-	215
Contingent shares to be issued		-	-	(103)	-	(103)
Total contributions by and distributions to owners		55	2,229	112	-	2,396
Balance at 31 December 2021						
		2,016	55,480	1,697	(4,265)	54,928

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

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

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

Notes to the company financial statements

1. Accounting policies

Basis of preparation

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

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

The Company applies consistent accounting policies, as applied by the Group with the exception of the below. To the extent that an accounting policy is relevant to the Group and the Company financial statements, refer to the Group financial statements for disclosure of the accounting policy.

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.

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 UK endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- share-based payments;
- 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.

Investments

The Company's investments are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, which is its value in use.

Accounting judgements and estimates

In the application of the Company's accounting policies, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There were no material judgements or estimates used on application of IFRS 9 Financial Instruments or IFRS 15 Revenue from contracts with customers, there were no contracts that straddled year end which required any judgement. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

Estimates

- **Share based payments**
Please refer to note 3 and note 17 of the Consolidated Financial Statements.
- **Investments**
The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. Where there are indicators of impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use (Note 2).
- **Intercompany receivables**
The Company's intercompany receivable balance is carried at amortised cost less provision for expected credit losses, management have assessed the probability of default to estimate the impact of credit loss (Note 7).

2. Investments

	2021 £'000	2020 £'000
As at 1 January	40,991	39,105
Additions	2,394	1,886
As at 31 December	43,385	40,991

As at 31 December 2021, the subsidiaries of Attraqt Group plc, are shown in note 13 of the Consolidated Group financial statements.

The Company's investment in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value in use calculated using the same assumptions as noted for the testing of goodwill impairment in note 12 of the Group financial statements.

3. Trade and other receivables

	2021 £'000	2020 £'000
Prepayments	77	115
Trade receivables	-	106
VAT	117	111
	194	332

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

4. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	79	133
Other payables	-	350
Deferred income	-	81
Accruals	34	45
	113	609

All financial liabilities held by the Company at the reporting period are classified as held at amortised cost.

5. Share capital

Allocated, called up and fully paid

	2021 Number of Shares	2021 £'000 Share capital	2021 £'000 Share Premium	2020 Number of Shares	2020 £'000 Share capital	2020 £'000 Share Premium
Ordinary shares of £0.01 each						
At 1 January	196,149,171	1,961	53,251	180,048,207	1,800	48,516
Shares issued for cash during the year	-	-	-	12,500,000	125	3,619
Shares issued to Early Birds sellers as part of the acquisition during the period	5,401,446	55	2,229	3,600,964	36	1,116
At 31 December	201,550,617	2,016	55,480	196,149,171	1,961	53,251

The Company issued 5,131,374 1p Ordinary shares at 42.5p on 26 July 2021 which related to 95% of the unpaid deferred consideration to the sellers for the asset purchase of the Aleph software. The Company issued 270,072 1p Ordinary shares at 37.50p on 7 October 2021 which was the remaining 5% of the deferred consideration to the sellers for the purchase of the Aleph software. The Company has a total of 201,550,617 ordinary shares in issue, all of which have voting rights. In 2020 Company raised £4,000,000 before expenses, by private placing of 12,500,000 1p Ordinary shares at 32p on 1 October 2020. 3,600,964 Ordinary shares were issued to the sellers as consideration for the asset purchase of the Aleph software.

6. Share based payments

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

7. Financial instruments

	2021 £'000	2020 £'000
Trade and intercompany receivables	11,462	12,449
Financial assets at amortised cost	11,462	12,449
Trade and other payables		
Financial liabilities at amortised cost	81	528

Intercompany receivables have been assessed and it has been considered no entity requires a loss allowance based on a review of future cash flows over the next 5 years, the risk of default is considered to be negligible and no allowance has been recognised against this balance (2020: nil).

Amounts owed from intercompany balances bear interest at 0.01% per annum (2020: 0.01%). The balances are unsecured and repayable on demand, the Company does not intend to request repayment of these balances and therefore these have been classified as non-current.

8. Employees

The company had no employees during the year (2020: none) excluding directors. Further information about the remuneration of the directors is provided in the remuneration report.

Company information

Country of incorporation

England and Wales

Legal form

Public limited company

Directors

Nick Habgood - appointed on 6 September 2021

Tom Crawford - appointed on 6 September 2021

Luke McKeever

Mark Adams

Eric Dodd

Grahame Cook

Robert Fenner

Laura Harnett - appointed on 3 June 2021

Secretary and registered office

E Dodd

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Lawyers

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