SpaceandPeople PLC - SAL Interim Results for the 6 mths ended 30 June 2014
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("SpaceandPeople" or the "Group")

Interim Results for the 6 months to 30 June 2014

SpaceandPeople (AIM:SAL), the international experiential marketing and media group which facilitates and manages the sale of promotional and retail merchandising space in shopping centres and other high footfall venues, announces interim results for the six months ended 30 June 2014.

Highlights

- Net revenues up 7% to £7.1m
- Operating profit before non-recurring costs down £743k to a loss of £86k
- S&P+ Limited profitable in only its second year since start-up
- Overhead reduction plan implemented
- Contract renewals and new wins including ECE Projektmanagement throughout Germany and Grand Central in Birmingham

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Chief Executive's Interim Operating Statement

Introduction

The first half of 2014 has been a challenging period for the Group, with trading in a number of areas being slower than had been anticipated and a number of one-off costs being incurred. As a result of this, we issued a trading update in April 2014 explaining the reasons for our revised expectations. Since then, a number of areas have been trading in line with these revised expectations, but performance in other areas has been disappointing compared with our revised forecast and this is explained further in the operational performance review below.

Trading conditions in the first half year

In our update in April this year, we highlighted trading problems relating to four key areas of our business. These were:

- UK promotions, where sales traction in new venues was slower than anticipated;
- UK retail, where we saw increased restrictions on some retail categories available for us to sell;
- German promotions, where there were delays in obtaining local authority permits to trade in new centres, resulting in lost sales opportunities for this year; and
- German retail, where our roll-out plan was delayed throughout the year and we achieved lower than expected occupancy in the first six months of 2014.

These conditions have continued to weigh on our performance since April. In particular, although the German retail division has achieved higher sales than in the same period in 2013, it has experienced reduced occupancy of units which has resulted in a lower profit margin.

Financial performance

Net revenue for the first half was £7.1m, an increase of 7% compared with the first six months of 2013. Operating profit before non-recurring costs was £743k lower at a loss of £86k, due to a greater proportion of the net revenue being delivered by S&P+ Limited which is a lower margin area of the business. Profit after tax, but before non-recurring costs attributable to the owners of the company declined by £600k to a loss of £123k (2013: £477k profit).

The Group cash position at the half year end and forecasted cash flow going forward remain robust. The Group also repaid the final part of its bank term loan during the first half year.

Operational performance

Net revenue from UK Promotions declined 14% to £1,539k, due primarily to the Group no longer working with Intu Properties in this area. Operating profit before non-recurring costs rose £83k to £411k (+25%).

German Promotions revenue was down £495k to £603k, a fall of 45%. This was due to long term rental spaces within ECE malls being removed and the expected permits for other malls in our portfolio being delayed. Operating profit before non-recurring costs was 85% lower at £88k.

UK Retail saw revenue 32% lower at £1,510k. This was due to lower royalty income (down £175k) and the removal of 52 Mobile Kiosks at various centres. Operating profit reduced by £450k, resulting in a loss of £12k in the first half of the year.

German Retail successfully grew its revenue, recording an 8% increase to £1,346k due to further roll-out in ECE centres. However, operating profit fell £128k to £60k (-68%) due to lower occupancy reducing the gross margin percentage.

Other revenue was up £1,807k to £2,127k (+565%) due to S&P+ Limited, of which we own 51%, gaining significant new business compared with the same period in the previous year. Other operating profit before non-recurring costs was up £167k to £70k. A delay in the execution of a major project that S&P+ has been working on means that a significant element of its income and profit, which had been anticipated to be included in 2014, is likely to be deferred until next year.

We have streamlined our overheads, with head office costs £66k lower at £703k (-9%), as we began to see the benefits of our cost reductions. We incurred non-recurring costs of £163k in the first half year as a result of redundancy costs and a provision for possible retrospective non-domestic rates liabilities.

Our revised forecasts for 2014

As a result of the market conditions discussed above, we now expect full year net revenue for 2014 will be £16.1m, with profit before tax and non-recurring costs of between £800k and £1.0million and profit before tax but after non-recurring costs, of between £500k and £700k. We are providing a range at this point because much of the crucial Christmas trading period sales have yet to be transacted.

We have made annualised cost savings of £700k and the new revenue lines we established this year will deliver a better performance in 2015. Additionally, we are delighted to announce the following contracts:

- SpaceandPeople GmbH has agreed a new three year contract with ECE Projektmanagement GmbH in Germany, to arrange promotions in their mall spaces until 31 December 2017. The extension allows us to continue our partnership with Europe's largest property group, and although more focussed on short term promotions it will enable us to grow our new innovative and well received customer connect system nationally.

- SpaceandPeople plc in the UK is also pleased to announce that it has signed heads of terms in contemplation of being awarded an exclusive commercialisation contract with Grand Central Birmingham, due to open in September 2015. The opening of Grand Central and its flagship John Lewis store will coincide with the completion of Birmingham New Street Station which will transform rail travel for millions of passengers and provide a unique shopping and station experience. Many of the shops, restaurants and cafes already confirmed for the scheme will be new to the city, with an emphasis on quality retail and international dining.

Overall, the business is robust and profitable, cash flow is positive and the cash position is strong. The Company anticipates having in the region of £750k of net cash at the year-end, as well as a £2.0m long-term borrowing facility. The board therefore expect to be able to propose a dividend of 2.0p per share at the AGM, payable in April 2015.

Our priorities for the remainder of 2014

While conditions have been challenging this year, we have taken a number of actions during 2014 which will continue into 2015 and will help us return to profit growth next year. The management team have very clear priorities; sales improvement and cost reduction combined with improved venue acquisition.

In addition, we will continue to develop our Indian business, of which we own 62.5%. Paresh Khivesara and the team have improved revenues and reduced the regional sales teams, concentrating on Mumbai and Delhi as sales centres. The MacV Sunglasses brand which SpaceandPeople India exclusively represent, has grown to 20 kiosks as of the end of August and will help to deliver its projected budget for the year through enhanced management fees and consultancy. We are also working with our licensee business in Russia to support their growth into new venues and new territories.

Board changes

David Henderson-Williams, who has been non-executive Chairman for eight years, will step down from the board on 11 September 2014. David helped us to grow the business by ensuring we focused on delivery to our shopping centre clients. He ensured continuity of delivery during this expansion and was instrumental in the acquisition of Retail Profile in 2010. We thank him for everything he has done and wish him well for the future. We expect to announce the appointment of a new Chairman imminently.

Steve Curtis joined the board as a non-executive director on 19 June 2014 bringing over 30 years of experience in the media industry and retail commercialisation in the UK and overseas. The insight and experience that he brings is already proving to be valuable to the development and growth of the business.

I am also pleased to announce that George Watt will be joining the board as a non-executive director on 11 September 2014. George is Chief Financial Officer at STV Group plc and has extensive City and media understanding. He will bring significant knowledge and skills to the board that will be of great value to the Group.

Conclusion

Despite the challenging sales environment this year, SpaceandPeople remains a robust business. Our rapid growth in recent years has made us Europe's largest provider of commercialisation revenue to our client shopping centres and we strive to continue to offer them the best service available.

We expect to deliver in excess of £32m of gross revenue for the full year and our cash position is strong. Our services are very much in demand and with our restructured business and streamlined cost base, we know how we will return to profit growth in 2015.

Matthew Bending
10 September 2014

Independent Review Report to SpaceandPeople plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2014 which comprises, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies.
As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, as adopted by the European Union.

Review work performed

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules of the London Stock Exchange and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules For Companies.

Campbell Dallas LLP Chartered Accountants & Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 10 September 2014

Consolidated Group Statement of Comprehensive Income

For the 6 months ended 30 June 2014

	Notes	6 months to 30 June '14 (Unaudited) £'000	6 months to 30 June '13 (Unaudited) £'000	12 months to 31 December '13 (Audited) £'000
Revenue	5	**7,125**	**6,663**	**14,567**
Cost of Sales		(3,528)	(2,063)	(4,023)
Gross Profit		**3,597**	**4,600**	**10,544**
Administration expenses		(3,806)	(4,029)	(8,587)
Other operating income		123	86	322
Operating profit before non-recurring costs	5	**(86)**	**657**	**2,279**
Non-recurring costs	6	(163)	-	-
Operating Profit / (Loss)		**(249)**	**657**	**2,279**
Finance income		6	-	215
Finance costs		(10)	(44)	(55)
Profit / (loss) before taxation		**(253)**	**613**	**2,439**
Taxation		0	(186)	(648)
Profit / (loss) after taxation		**(253)**	**427**	**1,791**
Other comprehensive income				
Foreign exchange differences on translation of foreign operations		(46)	86	(51)
Total comprehensive income for the period		**(299)**	**513**	**1,740**
Profit / (loss) attributable to:				
Owners of the Company		(286)	477	1,971
Non-controlling interests		33	(50)	(180)
		(253)	**427**	**1,791**
Total comprehensive income for the period attributable to:				
Owners of the Company		(332)	563	1,920
Non-controlling interests		33	(50)	(180)
		(299)	**513**	**1,740**
Earnings per share	14			
Basic		(1.47p)	2.45p	10.11p
Diluted		(1.30p)	2.19p	8.98p

Consolidated Group Statement of Financial Position

At 30 June 2014

	Notes	30 June '14 (Unaudited) £'000	30 June '13 (Unaudited) £'000	31 December '13 (Audited) £'000
Assets				
Non-current assets:				
Goodwill	7	8,225	8,225	8,225
Other intangible assets	8	11	14	7
Property, plant & equipment	9	1,499	1,444	1,590
		9,735	**9,683**	**9,822**
Current assets:				
Trade & other receivables		4,910	4,912	5,137
Cash & cash equivalents	10	1,261	1,795	2,088
		6,171	**6,707**	**7,225**
Total assets		**15,906**	**16,390**	**17,047**
Liabilities				
Current liabilities:				
Trade & other payables		5,912	6,489	6,260
Current tax payable		(177)	126	562
Other borrowings		-	455	205
		5,735	**7,070**	**7,027**
Non-current liabilities:				
Deferred tax liabilities		10	10	10
Long term loan	11	1,250	532	-
		1,260	**542**	**10**
Total liabilities		**6,995**	**7,612**	**7,037**
Net assets		**8,911**	**8,778**	**10,010**
Equity				
Share capital	13	195	195	195
Share premium		4,868	4,859	4,868
Special reserve		233	233	233
Retained earnings		3,585	3,364	4,717
Equity attributable to owners of the Company		**8,881**	**8,651**	**10,013**
Non-controlling Interest		30	127	(3)
Total equity		**8,911**	**8,778**	**10,010**

Consolidated Group Statement of Cash Flows

For the 6 months ended 30 June 2014

	Notes	6 months to 30 June '14 (Unaudited) £'000	6 months to 30 June '13 (Unaudited) £'000	12 months to 31 December '13 (Audited) £'000
Cash flows from operating activities				

Cash (outflow)/inflow from operations		(181)	1,250	2,499
Interest paid		(10)	(44)	(55)
Taxation		(739)	(349)	(375)
Net cash inflow / (outflow) from operating activities		**(930)**	**857**	**2,069**
Cash flows from investing activities		6	-	215
Interest received				
Purchase of intangible assets		(15)	-	(1)
Purchase of property, plant & equipment	9	(133)	(236)	(592)
Net cash outflow from investing activities		**(142)**	**(236)**	**(378)**
Cash flows from financing activities				
Proceeds from issue of shares		-	30	39
Repayment of bank loan	11	(205)	(198)	(480)
Bank facility received / (repaid)	11	1,250	-	(500)
Dividends paid	12	(800)	(677)	(681)
Net cash outflow from financing activities		**245**	**(845)**	**(1,622)**
(Decrease)/increase in cash and cash equivalents		**(827)**	**(224)**	**69**
Cash at beginning of period		2,088	2,019	2,019
Cash at end of period	10	**1,261**	**1,795**	**2,088**

Reconciliation of operating profit to net cash flow from operating activities			
Operating profit	(249)	657	2,279
Amortisation of intangible assets	11	6	14
Depreciation of property, plant & equipment	224	154	364
Effect of foreign exchange rate moves	(46)	86	(51)
(Increase)/ decrease in receivables	227	(1,073)	(1,298)
Increase / (decrease) in payables	(348)	1,420	1,191
Cash flow from operating activities	**(181)**	**1,250**	**2,499**

Consolidated Group Statement of Changes in Equity

For the 6 months ended 30 June 2014

6 months to 30 June '14	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000
At 1 January '14	195	4,868	233	4,717	(3)	10,010
Foreign currency translation	-	-	-	(46)	-	(46)
Loss for the period	-	-	-	(286)	33	(253)
Dividends paid	-	-	-	(800)	-	(800)
At 30 June '14	**195**	**4,868**	**233**	**3,585**	**30**	**8,911**

6 months to 30 June '13	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000

At 1 January '13	194	4,830	233	3,478	177	8,912
Shares issued	1	29	-	-	-	30
Foreign currency translation	-	-	-	86	-	86
Profit for the period	-	-	-	477	(50)	427
Dividends paid	-	-	-	(677)	-	(677)
At 30 June '13	**195**	**4,859**	**233**	**3,364**	**127**	**8,778**

12 months to 31 December '13	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000
At 1 January '13	194	4,830	233	3,478	177	8,912
Shares issued	1	38	-	-	-	39
Foreign currency translation	-	-	-	(51)	-	(51)
Profit for the period	-	-	-	1,971	(180)	1,791
Dividends paid	-	-	-	(681)	-	(681)
At 31 December '13	**195**	**4,868**	**233**	**4,717**	**(3)**	**10,010**

Notes to the financial statements

For the 6 months ended 30 June 2014

1. General information

SpaceandPeople plc is a limited liability company incorporated and domiciled in Scotland (registered number SC212277) which is listed on AIM (dealing code SAL).

This condensed consolidated interim financial information has been reviewed, but not audited, by the auditors, and their independent review is set out on page 3 of this report. It does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The financial information for the 12 months to 31 December 2013 has been extracted from the statutory accounts for that period. These published accounts were reported on by the auditors without qualification or an emphasis of matter reference, and did not include a statement under section 498 of the Companies Act 2006, and have been delivered to the Registrar of Companies.

This condensed consolidated interim financial information was approved by the board on 12 September 2014.

2. Basis of preparation

This condensed consolidated interim financial information for the 6 months ended 30 June 2014 has been prepared in accordance with IAS 34 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the financial statements of the Company for the period ending 31 December 2013 which were prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

3. Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the financial statements of the Company for the year ended 31 December 2013.

The comparative information in the consolidated income statement has been restated for the reallocation of certain costs from Administration Expenses to Cost of Sales. The reallocation of certain direct costs has been done to provide more reliable and relevant information regarding the nature of these costs.

4. Seasonality of operations

Due to the seasonal nature of the retail business, higher revenues and operating profits are usually expected in the second half of the year than in the first six months, particularly for subsidiary companies Retail Profile Europe Limited and Retail Profile Europe GmbH.

5. Segmental reporting

The Group maintains its head office in Glasgow and an office in Hamburg, Germany. These are reported separately. In addition its subsidiary, Retail Profile, has an office in London and a subsidiary in Germany. The Group has determined that these are the principal operating segments as the performance of these segments is monitored separately and reviewed by the board.

The following table presents revenue and profit and loss information regarding the Group's two business segments - Promotional Sales and Retail, split by geographic area.

Other segment represents the Groups investments in S&P+ and SpaceandPeople India. S&P+ contributed £2.0m of revenue included in 'Other' below.

	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000
6 months to 30 June '14							
Revenue	1,539	603	1,510	1,346	-	2,127	7,125
Segment operating profit/(loss)	**248**	**88**	**(12)**	**60**	**(703)**	**70**	**(249)**
6 months to 30 June '13							
Revenue	1,789	1,098	2,212	1,244	-	320	6,663
Segment operating profit/(loss)	**328**	**569**	**438**	**188**	**(769)**	**(97)**	**657**
12 months to December '13							
Revenue	3,566	3,106	4,489	2,994	-	412	14,567
Segment operating profit/(loss)	**1,462**	**852**	**1,016**	**718**	**(1,402)**	**(367)**	**2,279**

6. Non-recurring costs

During the period, the Group took steps to reduce costs and streamline overheads, as a result non-recurring costs of £163k were incurred. This was as a result of redundancy costs (£88k) and the Group also made provision for possible retrospective costs in relation to UK centre costs (£75k.)

7. Goodwill

Net book value	6 months to 30 June '14 £'000	6 months to 30 June '13 £'000	12 months to 31 December '13 £'000
Opening Balance	8,225	8,225	8,225
Additions	-	-	-
Closing Balance	**8,225**	**8,225**	**8,225**

8. Other intangible assets

Net book value	6 months to 30 June '14 £'000	6 months to 30 June '13 £'000	12 months to 31 December '13 £'000
Opening Balance	7	20	20
Additions	15	-	1
Amortisation	(11)	(6)	(14)
Closing Balance	**11**	**14**	**7**

9. Property, plant and equipment

Net book value	6 months to 30 June '14	6 months to 30 June '13	12 months to 31 December '13
	£'000	£'000	£'000
Opening Balance	1,590	1,362	1,362
Additions	133	236	592
Depreciation	(224)	(154)	(364)
Closing Balance	**1,499**	**1,444**	**1,590**

10. Cash & cash equivalents

	30 June '14	30 June '13	31 December '13
	£'000	£'000	£'000
Cash at Bank and on hand	1,261	1,795	2,088
Bank Overdraft	-	-	-
	1,261	**1,795**	**2,088**

11. Non-current liabilities

As at 30 June 2014, SpaceandPeople had drawn down £1,250k (June 2013: £500k) of its agreed bank facility of £2million. The amount drawn is part of a revolving credit facility of which £1million is repayable by 31 December 2015 and £1million is repayable by 31 July 2017.

12. Dividends

	30 June '14	30 June '13	31 December '13
	£'000	£'000	£'000
Paid during the period	800	677	681

13. Called up share capital

Allotted, issued and fully paid			30 June '14	30 June '13	31 December '13
Class	Nominal value				
Ordinary	1p	£	195,196	195,036	195,196
		Number	19,519,563	19,503,563	19,519,563

14. Earnings per share

Earnings per share has been calculated using the profit/ (loss) after taxation for the period and the weighted average number of shares in issue.

	30 June '14	30 June '13	31 December '13
	£'000	£'000	£'000
Profit / (loss) after taxation	(286)	477	1,971

Weighted average number of shares in issue during the period	'000	'000	'000
- 1p ordinary shares	19,492	19,477	19,492
- Share options	2,453	2,364	2,453
- Diluted ordinary shares	21,945	21,841	21,945

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