SpaceandPeople PLC - SAL Preliminary Results
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SpaceandPeople plc

("SpaceandPeople" and the "Company")

Preliminary Results

SpaceandPeople, the retail, promotional and brand experience specialist, is pleased to announce its preliminary results for the 12 months ended 31 December 2017.

Financial Highlights

- Gross revenue of £22.4 million (2016: £22.9 million)
- Net revenue of £10.0 million (2016: £9.7million)
- Profit from before taxation attributable to shareholders of £1.2 million (2016: £60k)
- Basic Earnings per Share before non-recurring costs of 4.8p (2016: 0.3p)
- Net cash at year end of £2.7 million (2016: £0.4 million) and all bank borrowings now repaid
- Dividend resumed with proposed payment of 1.5p per share (2016: nil)

Operational Highlights

- Focus on core UK and German markets
- Growth in UK promotional and MPK revenue and profitability
- Increase in average MPK selling price and occupancy led to an increase in revenue of 24%
- Prestigious Broadgate Estates contract win and Landsec contract renewal
- Costs reduced and senior team strengthened
- Successful renegotiation of terms with ECE in relation to the German RMU business for a one year contract extension in 2018
- Majority of UK revenue driven by venues other than shopping centres for the first time

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Chairman's Statement

I am pleased to report that the measures we took to meet the challenges faced by the Group in 2016 have resulted in an improved and more sustainable trading and financial performance in 2017.

Our focus on the core UK market and the effectiveness of our sales function delivered growth in both our UK Promotional and Retail revenues and profitability. The financial performance of our existing MPKs improved, and we succeeded in restructuring and extending our main contract in Germany with ECE, with lower costs and overheads, returning it to profitability.

The Group continues to be successful in retaining and winning new contracts with large scale venue and retail owners, such as Landsec and our improved effectiveness and performance in sales and venue optimisation has allowed us to create more revenue opportunities with long term clients such as Network Rail.

To complement this, we have recently strengthened the sales and venue teams with two senior appointments.

From a financial perspective, it is encouraging to see the Group strengthen its net cash position and resume dividend payments to shareholders.

Our strategy is to focus on our core markets of the UK and Germany, continue to win good quality contracts and diversify our revenue generation to deliver solid sustainable and growing returns for our shareholders.

Although there are many challenges in the retail sector, with a stronger and more focused senior team delivering our strategy, we look forward to the future with confidence.

Charles G. Hammond
Chairman
23 March 2018

Strategic Report

Principal Activities

The principal activity of the Group is the marketing and selling of promotional and retail licensing space on behalf of shopping centres and other venues throughout the UK and Germany and also in India.

Review of Business and Future Developments

The results for the period and the financial position of the Group are shown in the financial statements.

The review of the business and a summary of future developments are included in the Chairman's Statement, the Chief Executive Officer's Review and the Operating and Financial Review.

Principal Risks and Uncertainties

The principal risks identified in the business are:

Loss of client - Each year a number of the Group's contracts with clients come to an end. At this point, some are renewed, some are not renewed and others are renegotiated. When the amount of business that we transact with an established client reduces, it can take time to replace this income with business from new clients. The Group is not overly reliant on any single client and the loss of a significant client, although unwelcome, would not put the viability of the business at risk.

Loss of key personnel - The unexpected loss of a member of our senior management team could have a negative effect on the business in the short term, however, we have a management team of nine members who are encouraged and required to engage with and assist their colleagues in other areas of the business to ensure that understanding and exchange of ideas is a core element of their roles. This ensures that the business is not at risk while we seek to replace the member or conduct a reorganisation of the team.

System failure - Whilst no guarantees can be given that all possible eventualities are covered, the Group has comprehensive and strict policies and contingency plans concerning power outages, telecommunications failure, virus protection, hardware and software failure, frequent and full offsite backup of all data and disaster recovery. Contracts and service level agreements are in place with reputable suppliers to ensure that any disruption and risk to the business is kept to an absolute minimum. The adequacy and appropriateness of these policies and plans are reviewed on a regular basis. A significant hardware upgrade has been completed during 2017 and early 2018 and the Group has implemented a new CRM system during 2017 that is now fully operational.

Legal claims - The Group constantly reviews its exposure to possible legal claims and takes appropriate advice and action to protect both itself and its clients where any avoidable risk is identified, for example, by amending terms and conditions, service agreements, licences and risk assessments.

Key Performance Indicators

The key performance indicators are:

	2017	**2016**
Gross revenue (£ million)	22.4	22.9
Net revenue (£ million)	10.0	9.7
Profit before taxation and non-recurring costs attributable to shareholders (£ million)	1.17	0.06
Basic earnings per share before non-recurring costs (p)	4.8	0.3
Proposed dividend (p)	1.5	-
Average number of Retail Merchandising Units (RMUs)	185	220
Average number of Mobile Promotions Kiosks (MPKs)	75	74

By order of the Board

Gregor Dunlay
Company Secretary
23 March 2018

<u>Chief Executive Officer's Review</u>

I am pleased that 2017 saw the Group recover from the issues it faced in 2016. Profit before tax attributable to shareholders rebounded to £1.2 million (2016 £0.1m before non-recurring costs). This was achieved through increased focus on our core businesses in

the UK and Germany with strong performance in the UK brand experience and MPK divisions along with the German RMU business.
The key aims for the year were to ensure that growth in revenue and profit were sustainable and that more diverse revenue streams would help insulate us from overexposure to any one large market or client. To achieve this, we restructured the UK management team bringing in additional management resource during the year. We also developed and implemented a new CRM system which has recently gone live and will improve productivity. The post year end contract renewal with Landsec has expanded and enhanced our relationship with them and reinforces our ability to improve revenues and diversity with a complex and multi-use property portfolio.

The fact we have driven profits, repaid all bank debt and generated strong cashflow in the year has enabled us to resume dividend payments and also invest in new staff and systems.

UK
Promotions

The very visible experiential campaigns which the Company facilitates rose by 30% in 2017 driven by an increase in locations such as Broadgate Estates in The City and the development of the Network Rail portfolio. Over 270 brands utilised our network of national locations with Johnnie Walker/McLaren F1 and the Fast and Furious movie franchise using London venues in particular for their high-profile launches. Lucozade, Coca Cola and The Economist engaged with us for sampling direct to consumers, and others including Porsche and Nespresso created pop up shops to sell direct to the public.

One of our key aims has been to increase the volume of business we transact in non-shopping centre, high footfall venues as this creates a greater balance of locations for brands to select. As a result, and for the first time, 2017 saw more revenue generated from these locations than traditional shopping centres.

Retail

Revenue in the UK retail division increased to £3.4 million (2016: £3.2 million) driven by a £400k increase in MPK revenue. Whilst the average number or MPKs in operation remained the same, increases in both occupancy and selling price had a positive effect. This demonstrates the traditional temporary retailer wants to be more temporary than ever and that local and national brands appreciate the added value an installed MPK delivers in the form of higher responses and visibility. As expected, the number of RMUs declined from 110 to 91 in the year, however, Just-in-Time RMUs around the Christmas trading period grew revenue from this activity to £250k from £150k in the previous year, again, representative of the temporary trends described above.

New Venues

The Company has been negotiating an expanded contract for Landsec throughout 2017 which was formally announced post year end. The other notable win was Broadgate Estates' portfolio of outdoor venues in London. New venue growth, as well as offering new services to a greater and more diverse venue type, is a priority of the Group. Accordingly, we have created a New Venues Director position, working with Nancy Cullen who remains in charge of existing venue management. This new role should give us more bandwidth to develop these new contracts going forward.

Germany

Trading in Germany was mixed, with the retail division performing well under the revised contract with ECE, while the promotions business struggled with the ending of the ECE contract in the previous year and a reduction in business transacted with MEC in 2017. Despite this uncertainty, both businesses still produced creditable efforts and remain core parts of the Group.

German Promotions

Revenue from this division declined by 12% from £0.9 million to £0.8 million due to the reduced opportunities with existing clients. Overheads have been reduced by moving to smaller accommodation and reducing headcount. The team must be given credit for their professionalism and loyalty during this difficult period.

German Retail

Post year end, we announced an extension of the ECE retail contract for a further year until January 2019. This is based on a smaller number of RMUs with a decrease from 94 units at the start of 2018 to 55 units in January 2019. However, we are optimistic that we could increase "Just-in-Time" units into ECE and expand our services to other property groups.

Germany remains a core territory for the Group. It has contributed much to revenue, profit and business development over the years and its sheer potential market size means it remains attractive for us to continue trying to grow these divisions in the future. I believe the contribution our German operations have made to the Group in 2017, despite the difficulties during the year, validate this. Post year end contract extensions at ECE for the "pop up shop" retail division as well as a strong new venues pipeline developing for both divisions and the fact that we have experienced management and staff gives us encouragement that the German businesses can perform well going forward.

Outlook for 2018

We entered 2018 in a good position on the back of the 2017 results. It is a challenge to forecast the macro business environment at this time, however the investment in staff along with the diversity of products and venues we now have does give me confidence the business will continue to perform well in 2018. I am hopeful that Germany will win some new contracts in both businesses which will enable them to grow their revenue and profits again in the future. I am also optimistic we can extend our Just-in-Time concept to more venues during 2018.

The UK experiential campaign team has had a slightly slower than expected start to in 2018, due to timing differences on repeat bookings, however, these delayed bookings are currently being worked on. Retail, MPK and regional sales are all performing ahead of this time last year and in line with management expectations.

The new roles of UK New Venues Director and appointments in the Client Services team mean we have the resources and capacity to reach and gain new venues, and access more spend from agencies and brands that we have not previously accessed.

Matthew Bending
Chief Executive Officer
23 March 2018

Operating and Financial Review

The principal focus of the Group during 2017 was to ensure that concentration of efforts on the core business units continued from the previous year. Coupled with the benefits that would come from the overhead rationalisation that had taken place, the Group has returned to profitability and performing better than had been anticipated at the start of 2017.

The UK divisions performed particularly strongly in 2017. Promotional revenue increased by 16% and operating profit increased by 44% compared with the previous year. All major contracts performed well, especially the Network Rail agreement. Retail revenue increased by 6% and operating profit of £0.4 million in this division was a significant improvement from the loss of £0.2 million in 2016. Improvements in MPK selling rates more than compensated for the reduction in the number of RMUs in operation where some unproductive agreements had been terminated.

German retail revenue fell by 10% due to a planned decrease in the number of RMUs in operation. However, due to the significant reduction in centre rent payable following the renegotiation of the contract with ECE, this division generated an operating profit of £0.2 million compared with an operating loss of £0.3 million in the previous year. Revenue in the German promotional division fell by 12% as the full effect of the termination of their contract with ECE during 2016 was felt for the first time. As a result of this reduction in the volume of business transacted, overheads have been reduced and the division made a small operating loss of £0.02 million in 2017 compared with a loss of £0.2 million the previous year.

Revenue

Gross revenue generated on behalf of our clients was £22.4 million in 2017, which was £0.5 million (2%) lower than like for like gross revenue in the previous year. This was mainly due to reductions in German promotional and retail revenue. Despite gross revenue falling by 2%, net revenue increased by 3% to £10.0 million as both the UK and German promotional divisions achieved higher blended commission income than in the previous year.

The strong performance of the UK promotional division was across all business types with Brand Experience revenue being 27% higher than in the previous year and retail and regional business also performing particularly strongly.

UK retail revenue increased by £0.2 million to £3.4 million in 2017. This was due to an increase in MPK revenue of £0.4 million being partially offset by a decline in RMU revenue of £0.2 million. The increase of 24% in MPK revenue was achieved even though the average number of units in operation during the year remained the same as in 2016 at 68 units. This was due to an increase in the average selling price of 15% and an increase in the occupancy rate of 7%. The decline in RMU revenue of 12% was due to a reduction of the average number of units in operation by 17%.

Administrative Expenses

The gross profit of the Group was 20% higher than in 2016 at £6.6 million (2016: £5.5 million). This was achieved without any significant increase in administrative costs, with the savings made in 2016 being maintained in 2017.

The average number of people employed in the business fell by 19 to 99 in 2017. This was due to a reduction in the number of telesales and commercial staff with there being 6 fewer in India, 5 fewer in German retail and 4 fewer due to the closure of S&P+ during 2016.

Profit

Operating profit of £1.2 million was an increase of £1.4 million on the previous year (2016: loss of £0.2million). £0.3 million of this was due to non-recurring costs in the previous year and the other £1.1 million being on a like-for-like basis. The improvement is due to the operational gearing of the Group, with administration costs maintained so improved revenue and gross profit flowed down directly to operating profit.

Basic Earnings per Share ("EPS") increased to 4.8p (2016: negative 3.38p). Fully diluted EPS increased to 4.3p (2016: negative 3.12p). Basic EPS is calculated as profit after tax attributable to the owners of the Company divided by the weighted average number of shares in issue during the year which was 19,519,563 (2016: 19,519,563). Fully diluted EPS also takes into account the number of shares that would be issued on the exercise of outstanding share options. The weighted average number of shares used to calculate the diluted EPS was 21,840,060 (2016: 21,168,724).

Cash Flow

The Group generated £2.4 million of net cash flow from operating activities during the year (2016: £0.4 million). This was achieved due to strong operating profit before depreciation and amortisation. During the year £0.1 million was spent on fixed assets as the UK divisions implemented a new bespoke CRM system. No dividend was paid during the year and the £1.2 million bank facility drawn down at the beginning of the year was repaid in full. Consequently, the gross cash position was £1.1 million higher at the end of 2017 than 2016 and the net cash position was £2.3 million higher.

Dividends

As a result of the return to profitability in 2017 and strong balance sheet position, the Board is proposing a final dividend of 1.5p per share at the Annual General Meeting on 24 April 2018. If approved, this will be paid on 25 April 2018. This dividend will represent a distribution to shareholders of 31% of the basic EPS in 2017.

Gregor Dunlay
Chief Financial Officer
23 March 2018

Consolidated Statement of Comprehensive Income
For the 12 months ended 31 December 2017

	Notes	12 months to 31 December '17 £'000	12 months to 31 December '16 £'000
Revenue	4	**9,995**	**9,661**
Cost of Sales	4	(3,389)	(4,133)
Gross Profit		**6,606**	**5,528**
Administration expenses		(5,640)	(5,618)
Other operating income		210	194
Operating Profit before non-recurring costs		**1,176**	**104**
Non-recurring costs	7	-	(289)
Operating Profit / (Loss)		**1,176**	**(185)**
Finance income		12	-
Finance costs	8	(35)	(40)
Profit / (Loss) before taxation		**1,153**	**(225)**
Taxation	9	(237)	(44)
Profit / (Loss) after taxation from continuing operations		**916**	**(269)**
Discontinued Operations	10	**-**	(543)
Profit / (Loss) after taxation		**916**	**(812)**
Other Comprehensive income			
Foreign exchange differences on translation of foreign operations		3	104
Total comprehensive income for the Period		**919**	**(708)**
Profit / (Loss) for the year			

attributable to:			
Owners of the Company		933	(660)
Non-controlling interests		(14)	(152)
		919	**(812)**
Total comprehensive income for the period attributable to:			
Owners of the Company		933	(556)
Non-controlling interests		(14)	(152)
Total comprehensive income for the Period		**919**	**(708)**
Earnings per share	25		
Basic - Before non-recurring costs		4.8p	0.3p
Basic - After non-recurring costs		4.8p	(3.4p)
Diluted - Before non-recurring costs		4.3p	0.3p
Diluted - After non-recurring costs		4.3p	(3.1p)

Consolidated Statement of Financial Position
At 31 December 2017

Company number SC212277

	Notes	31 December '17 £'000	31 December '16 £'000
Assets			
Non-current assets:			
Goodwill	13	8,225	8,225
Other intangible assets	14	15	21
Property, plant & equipment	15	1,147	1,558
		9,387	**9,804**
Current assets:			
Trade & other receivables	17	3,367	3,350
Cash & cash equivalents	18	2,661	1,584
		6,028	**4,934**
Total assets		**15,415**	**14,738**
Liabilities			
Current liabilities:			
Trade & other payables	19	5,120	4,266
Current tax payable	19	(46)	(146)
Other borrowings	20	-	1,000
		5,074	**5,120**
Non-current liabilities:			
Deferred tax liabilities	16	91	90
Long-term loan	20	-	200
		91	**290**
Total liabilities		**5,165**	**5,410**
Net assets		**10,250**	**9,328**
Equity			
Share capital	23	195	195
Share premium		4,868	4,868
Special reserve		233	233
Retained earnings		4,698	3,762

Equity attributable to owners of the Company		**9,994**	**9,058**
Non-controlling interest		256	270
Total equity		**10,250**	**9,328**

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2018.

Signed on behalf of the Board of Directors by:

M J Bending - Director

Consolidated Statement of Cash Flows
For the 12 months ended 31 December 2017

	Notes	12 months to 31 December '17 £'000	12 months to 31 December '16 £'000
Cash flows from operating activities			
Cash generated from operations		2,559	335
Interest received		12	-
Interest paid	8	(35)	(40)
Taxation		(136)	128
Net cash inflow from operating activities		**2,400**	**423**
Cash flows from investing activities			
Purchase of intangible assets	14	(12)	(25)
Purchase of property, plant & equipment	15	(111)	(308)
Net cash (outflow) from investing activities		**(123)**	**(333)**
Cash flows from financing activities			
Bank facility (repaid) / received		(1,200)	200
Dividends paid	12	-	(429)
Net cash (outflow) from Financing activities		**(1,200)**	**(229)**
Increase / (Decrease) in cash and cash equivalents		**1,077**	**(139)**
Cash and cash equivalents at beginning of period		1,584	1,723
Cash and cash equivalents at end of period	18	**2,661**	**1,584**

Reconciliation of operating profit to net cash flow from operating activities			
Operating profit / (loss)		1,176	(185)
Operating profit / (loss) from discontinued operation	10	-	(543)
Amortisation of intangible assets	14	18	16

Depreciation of property, plant & equipment	15	522	328
Effect of foreign exchange rate moves		6	104
(Increase) / Decrease in receivables		(17)	855
Increase / (Decrease) in payables		854	(240)
Cash flow from operating activities		**2,559**	**335**

Consolidated Statement of Changes in Equity
For the 12 months ended 31 December 2017

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 31 December 2015	**195**	**4,868**	**233**	**4,747**	**170**	**10,213**
Comprehensive income:						
Foreign currency Translation	-	-	-	104	-	104
(Loss) for the period	-	-	-	(660)	(152)	(812)
Total comprehensive Income	**-**	**-**	**-**	**(556)**	**(152)**	**(708)**
Transactions with owners:						
Elimination of non-controlling interest in S&P+	-	-	-	-	252	252
Dividends paid	-	-	-	(429)	-	(429)
Total transactions with Owners	**-**	**-**	**-**	**(429)**	**252**	**(177)**
At 31 December 2016	**195**	**4,868**	**233**	**3,762**	**270**	**9,328**
Comprehensive income:						
Foreign currency Translation	-	-	-	3	-	3
Profit / (Loss) for the period	-	-	-	933	(14)	919
Total comprehensive Income	**-**	**-**	**-**	**936**	**(14)**	**922**
Transactions with owners:						
Dividends paid	-	-	-	-	-	-
Total transactions with Owners	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2017	**195**	**4,868**	**233**	**4,698**	**256**	**10,250**

Notes to the Financial Statements

1. General information

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

2. Basis of preparation

The Group's financial statements for the period ended 31 December 2017 and for the comparative period ended 31 December 2016 have been 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 (EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Directors have, at the time of approving the financial statements, a reasonable expectation that SpaceandPeople has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Future accounting developments

New and revised IFRSs applied with no material effect on the consolidated financial statements

Title	Implementation	Effect on Group
IAS 12 - Amendments to "Recognition of Deferred Tax Assets for Unrealised Losses"	Annual periods beginning on or after 1 January 2017	None
IAS 7 - Amendments to "Disclosure Initiative"	Annual periods beginning on or after 1 January 2017	None

The following standard will be introduced in future periods

Title	Implementation	Effect on Group
IFRS 15 - "Revenue from Contracts with Customers"	Annual periods beginning on or after 1 January 2018	None
IFRS 9 - "Financial Instruments"	Annual periods beginning on or after 1 January 2018	None
IFRS 16 - "Leases"	Annual periods beginning on or after 1 January 2019	This standard is likely to have implications to the Statement of Financial Position with an increase in both assets and liabilities recognised. A full impact assessment will be carried out during 2018.

Management anticipates that the standards and interpretations in issue, but not yet effective will be adopted in the financial statements when they become effective and foresee currently no material impact by the adoptions on the financial statements of the Group in the period of initial application. However, this will be assessed further upon implementation.

3. Accounting policies

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.
A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss of goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in subsidiaries
The parent Company's investments in subsidiary undertakings are included in the Company statement of financial position at cost, less provision for any impairment in value.

Revenue
Revenue is measured at the fair value of consideration received or receivable. Revenue is shown net of value-added tax, rebates and discounts and after eliminating intergroup sales. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Group and when any specific delivery criteria have been met.

<u>Commission</u>
Revenue from commission receivable while acting as agent is recognised when the following conditions are satisfied;

- Contract is agreed with promoter / merchant
- Venue acceptance of contract
- Invoice issued and no further input anticipated

<u>Acting as principal</u>
Revenue from agreements where we act as principal i.e. renting space from venues and reselling to promoters and operators, is recognised as gross revenue receivable by us, with the corresponding amount payable to the venue owner being recognised in cost of sales.

<u>Leasing Income</u>

Revenue from leasing activities is recognised on a straight-line basis over the term of the lease.

Licence Fees
Licence fee revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Property, plant & equipment
Depreciation is provided at the annual rates below in order to write off each asset over its estimated useful life.

Plant & equipment	-	12.5% of cost
Fixtures & fittings	-	25% of cost
Computer equipment	-	25% of cost
Computer software	-	33% of cost

Property, plant & equipment is stated at cost less accumulated depreciation to date.

Intangible assets

Website development costs
The Group capitalises all costs directly attributable to further developing its websites, while costs which relate to on-going maintenance are expensed as they arise. The capitalised costs are depreciated over three years.

Patents and trademarks
The costs of obtaining patents and trademarks are capitalised and written off over the economic life of the asset acquired.

Impairment of non-current assets
The need for any non-current asset impairment is assessed by comparison of the carrying value of the asset against the higher of realisable value and the value in use or, in the case of intangible assets, the anticipated future cash flows arising from the asset.

Leasing commitments
Rentals paid under operating leases are charged against profit as incurred. The Group has no finance leases.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

Taxation
The tax expense represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the period. The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profits and is accounted for using the liability method. Deferred tax liabilities are recognised for all temporary timing differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Foreign exchange
Items included in the Group's financial statements are measured using Pounds Sterling, which is the currency of the primary economic environment in which the Group operates and is also the Group's presentational currency.

Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates at that date. These translation differences are dealt with in the profit and loss account.

The income and expenditure of overseas operations are translated at the average rates of exchange during the period. Monetary items on the balance sheet are translated into Sterling at the rate of exchange ruling on the balance sheet date and fixed assets at historical rates. Exchange difference arising are treated as a movement in reserves.

Financial instruments
Financial assets and liabilities are recognised in the Group's balance sheet when it becomes a party to the contractual provisions of the instrument.

Trade and other receivables
Trade and other receivables are carried at original invoice value less an allowance for any uncollectable amounts. An allowance for bad debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off in the income statement when identified.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at cost and comprise cash in hand, cash at bank and deposits with banks.

Trade and other payables
Trade and other payables are carried at amortised costs and represent liabilities for goods or services provided to the Group prior to the period end that are unpaid and arise when the Group becomes obliged to make future payments in respect of these goods and services.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Share based payments
The Group operates a number of equity settled share-based payment schemes under which share options are issued to certain employees. The fair value determined at the grant date of the equity settled share-based payment, where material, is expensed on a straight-line basis over the vesting period. For schemes with only market-based performance conditions, those conditions are taken into account in arriving at the fair value at grant date.

Pensions

The Group pays contributions to the personal pension schemes of certain employees. Contributions are charged to the income statement in the period in which they fall due.

Critical accounting judgements and estimates
The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. IFRS also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas where significant judgements and estimates have been made in the preparation of these financial statements are the useful lives and impairment of non-current and intangible assets, impairment of the value of investment in associates and taxation. Explanations of the methodology and the resultant assumptions are detailed in the relevant accounting policies above and the respective notes to the financial statements.

Borrowing costs
Borrowing costs are amortised over the duration of the loan and recognised throughout the term of the loan.

4. Segmental reporting

The Group maintains its head office in Glasgow and a subsidiary office in Hamburg, Germany. These are reported separately. In addition, the retail business, now trading as POP retail, 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 tables present revenues, results and asset and liability information regarding the Group's two core business segments - Promotional Sales and Retail, split by geographic area, after licence fees and management charges made between Group companies. The Other segment incorporates SpaceandPeople India.

Segment revenues and results for 12 months to 31 December '17	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000
Continuing operations Revenue	**3,695**	**807**	**3,438**	**1,993**	**-**	**62**	**9,995**
Cost of sales	-	-	(2,648)	(741)	-	-	(3,389)
Administrative expenses	(1,710)	(895)	(389)	(1,230)	(1,307)	(109)	(5,640)
Other revenue	-	69	-	141	-	-	210
Segment operating profit / (loss)	**1,985**	**(19)**	**401**	**163**	**(1,307)**	**(47)**	**1,176**
Finance income	-	-	-	-	-	12	12
Finance costs	(35)	-	-	-	-	-	(35)
Segment profit / (loss) before	**1,950**	**(19)**	**401**	**163**	**(1,307)**	**(35)**	**(1,153)**

taxation

Segment assets and liabilities as at 31 December '17	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Other £'000	Group £'000
Total segment assets	7,486	725	5,386	1,077	741	15,415
Total segment liabilities	(2,882)	(493)	(1,336)	(383)	(71)	(5,165)
Total net assets	**4,604**	**232**	**4,050**	**694**	**670**	**10,250**

Segment revenues and results for 12 months to 31 December '16	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000
Continuing operations revenue	**3,185**	**917**	**3,244**	**2,226**	**-**	**89**	**9,661**
Cost of sales	-	-	(2,829)	(1,304)	-	-	(4,133)
Administrative expenses	(1,718)	(1,162)	(504)	(1,294)	(832)	(108)	(5,618)
Other revenue	-	90	-	100	-	4	194
Non-recurring costs	(87)	-	(126)	-	(76)	-	(289)
Segment operating profit / (loss)	**1,380**	**(155)**	**(215)**	**(272)**	**(908)**	**(15)**	**(185)**
Finance costs	(40)	-	-	-	-	-	(40)
Segment profit / (loss) before taxation	**1,340**	**(155)**	**(215)**	**(272)**	**(908)**	**(15)**	**(225)**

Segment assets and liabilities as at 31 December '16	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Other £'000	Group £'000
Total segment assets	7,130	1,002	4,819	995	792	14,738
Total segment liabilities	(3,334)	(694)	(964)	(352)	(66)	(5,410)
Total net assets	**3,796**	**308**	**3,855**	**643**	**726**	**9,328**

5. Operating profit

The operating profit is stated after charging:

	12 months to December '17 £'000	12 months to December '16 £'000
Motor vehicle leasing	78	93
Property leases	347	369
Amortisation of intangible assets	18	16
Depreciation of property, plant and equipment	532	328
	975	**806**
Auditor's remuneration:		
Fees payable for:		
Audit of Company	22	19
Audit of subsidiary undertakings	19	22
Tax services	8	4
Other services	1	3
	50	**48**
Directors' remuneration	**741**	**539**

6. Staff costs

The average number of employees in the Group during the period was as follows:

	12 months to December '17	12 months to December '16
Executive Directors	3	3
Non-executive Directors	3	3
Administration	32	30
Telesales	42	60
Commercial	10	15
Maintenance	9	7
	99	**118**

	12 months to December '17 £'000	12 months to December '16 £'000
Wages and salaries	3,782	4,149
Social Security costs	425	481
Pensions	189	50
	4,396	**4,680**

Details of Directors' emoluments, including details of share option schemes, are given in the remuneration report. These disclosures form part of the audited financial statements of the Group.

7. Non-recurring costs

During the period, the Group did not incur any one-off costs (2016: £289k in relation to restructuring costs and MPK France pilot costs).

8. Finance income and costs

	12 months to December '17 £'000	12 months to December '16 £'000
Finance income:		
Interest receivable	**12**	**-**
Finance costs:		
Interest payable	**(35)**	**(40)**

9. Taxation

12 months to 12 months to

	December '17 £'000	December '16 £'000
Current tax expense:		
Current tax on profits for the year	243	70
Adjustment for (over) provision in prior periods	(1)	(62)
Total current tax	242	8
Foreign tax:		
Current tax on foreign income for the period	52	-
Adjustment for (over) / under provision in prior periods	(57)	4
Total foreign tax	(5)	4
Deferred tax:		
Charge / credit in respect of tax losses	-	37
Charge in respect of temporary timing differences	-	(18)
Charge in relation to prior period	-	13
Total deferred tax	-	32
Income tax expense as reported in the Income Statement	**237**	**44**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	12 months to December '17 £'000	12 months to December '16 £'000
Profit on ordinary activities before tax	1,153	(768)
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2016: 20%)		
Jan - Dec 2016: 20%	-	(154)
Jan - Mar 2017: 20%	57	-
Apr - Dec 2017: 19%	165	-
Tax effect of:		
- Prior period adjustment	(57)	(59)
- Difference due to foreign taxation rates	18	-
- Tax losses	4	(17)
- Disallowable items	50	274
Income tax expense as reported in the Income Statement	**237**	**44**

10. Discontinued operations

During the prior period, the Group took decision to close its S&P+ business of which it owned 51%. The combined results of the discontinued operations included in the loss for the previous year are set out below. The comparative loss / profit from discontinued operations have been represented to include those operations classified as discontinuing in the prior year.

Profit / (Loss) for the year from discontinued operations	12 months to December '17 £'000	12 months to December '16 £'000
Revenue	-	487
Cost of Sales	-	(343)
Gross Profit	**-**	**144**

Administration expenses	-	(435)
Results from Operating activities (Net of Tax)	**-**	**(291)**
Non-controlling interest eliminated	-	(252)
(Loss) / profit for period from Discontinued operations	**-**	**(543)**

11. Profit for the period

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The Group profit for the period includes a Company profit after tax and before dividends of £570k after the incorporation of all UK head office costs (2016 loss: £73k) which is dealt with in the financial statements of the parent Company.

12. Dividends

	12 months to December '17 £'000	12 months to December '16 £'000
Paid during the period	-	429
Recommended final dividend	293	-

Equity - A final dividend of 1.50p per ordinary share is recommended for 2017 (no final dividend for 2016)

13. Goodwill

Cost	£'000
At 31 December 2015	8,225
Additions	-
At 31 December 2016	8,225
Additions	-
At 31 December 2017	**8,225**
Accumulated impairment losses	
At 31 December 2015	-
Charge for the period	-
At 31 December 2016	-
Charge for the period	-
At 31 December 2017	**-**
Net book value	
At 31 December 2015	8,225
At 31 December 2016	8,225
At 31 December 2017	**8,225**

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination. The Directors consider that the businesses of the UK Retail sub group and SpaceandPeople India Pvt Limited are identifiable CGUs and the carrying amount of Goodwill is allocated against these CGUs. No amortisation of the carrying value has been occurred at the financial statement review date. Goodwill for the UK Retail sub group remains unchanged at £7,981,000 and goodwill for SpaceandPeople India Pvt Limited remains unchanged at £244,000.

The recoverable amounts of the cash generating units are determined on value in use calculations which use cash flow projections based on financial budgets approved by the Board covering a five-year period followed by a terminal factor at a discount rate of 3% per annum. Cash flow projections during the budget period are based on an average growth in EBITDA which the Directors consider to be conservative given the plans for the businesses and the potential increased returns. As a result of the sensitivity analysis carried out, the Directors believe that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts of the cash generating units and that cash flows from these units will continue in line with expectations for the foreseeable future.

14. Other intangible assets

Cost	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 December 2015	284	137	86	507
Additions	-	-	25	25
Elimination of S&P+	-	-	(8)	(8)
At 31 December 2016	284	137	103	524
Additions	-	-	12	12
At 31 December 2017	**284**	**137**	**115**	**536**

Amortisation	Website Development £'000	Product development £'000	Patents & Trademarks £'000	Total £'000
At 31 December 2015	284	137	69	490
Charge for the period	-	-	16	16
Elimination of S&P+	-	-	(3)	(3)
At 31 December 2016	284	137	82	503
Charge for the period	-	-	18	18
At 31 December 2017	**284**	**137**	**100**	**521**

Net book value	Website development £'000	Product Development £'000	Patents & trademarks £'000	Total £'000
At 31 December 2015	-	-	17	17
At 31 December 2016	-	-	21	21
At 31 December 2017	**-**	**-**	**15**	**15**

15. Property, plant and equipment

The Group movement in property, plant & equipment assets was:

Cost	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 December 2015	2,907	258	542	3,707
Additions	151	16	159	326
Disposals	(18)	-	-	(18)
Elimination of S&P+	-	-	(127)	(127)
At 31 December 2016	3,040	274	574	3,888
Additions	8	3	100	111
At 31 December 2017	**3,048**	**277**	**674**	**3,999**

Depreciation	Plant & Equipment £'000	Fixture & Fittings £'000	Computer Equipment £'000	Total £'000
At 31 December 2015	1,408	246	428	2,082
Charge for the period	235	3	90	328
Elimination of S&P+	-	-	(80)	(80)

At 31 December 2016	1,643	249	438	2,330
Charge for the period	418	4	100	522
At 31 December 2017	**2,061**	**253**	**538**	**2,852**

Net book value	Plant & equipment £'000	Fixture & Fittings £'000	Computer Equipment £'000	Total £'000
At 31 December 2015	1,499	12	114	1,625
At 31 December 2016	1,397	25	136	1,558
At 31 December 2017	**987**	**24**	**136**	**1,147**

16. Deferred tax

	31 December '17 £'000	31 December '16 £'000
Deferred tax liability:		
Deferred tax liability to be recognised after more than 12 months	91	90
Deferred tax assets:		
Deferred tax asset to be recognised after less than 12 months	-	-
Deferred tax liability (net)	**91**	**90**

At 1 January 2017	90	58
Debit / (Credit) in respect of losses		37
Charge in respect of temporary timing differences on property, plant and equipment	1	(5)
At 31 December 2017	**91**	**90**

17. Trade and other receivables

	31 December '17 £'000	31 December '16 £'000
Trade debtors	2,626	2,530
Other debtors	458	469
Prepayments	283	351
Total	**3,367**	**3,350**
Amounts falling due after more than one year included above are:	424	424

The maximum exposure to credit risk at the balance sheet date is the carrying amount of receivables detailed above. The Group does not hold any collateral as security.

The Directors do not believe that there is a significant concentration of credit risk within the trade receivables balance. As of 31 December 2017, trade receivables of £784k (2016: £345k) were past due but not impaired.

The ageing of trade debtors:

	Current	0 - 30 Days	31 - 60 Days	61 Days +	Total
	£'000	£'000	£'000	£'000	£'000
31 December '17	1,842	277	244	263	**2,626**
31 December '16	2,185	96	72	177	**2,530**

18. Cash and cash equivalents

	31 December '17	31 December '16
	£'000	£'000
Cash at bank and on hand	2,661	1,584
	2,661	**1,584**

19. Trade and other payables

	31 December '17	31 December '16
	£'000	£'000
Trade creditors	568	514
Other creditors	1,767	1,625
Social Security and other taxes	489	395
Accrued expenses	2,003	1,404
Deferred income	293	328
Trade and other payables	**5,120**	**4,266**
Corporation tax	(46)	(146)
Total	**5,074**	**4,120**

20. Other borrowings

	31 December '17	31 December '16
	£'000	£'000
Bank loan:		
Less than one year	-	1,000
Greater than one year	-	200
	-	**1,200**

As at 31 December 2017, SpaceandPeople plc had drawn down £nil (2016: £1.2 million) of its agreed bank facility of £1.25 million (2016: £2.0 million), £0.25 million of which expires in July 2018 and the other £1.0 million expires in July 2019. As at 31 December 2016, the Group was in technical breach of its covenants in relation to its facilities. This breach has now been resolved and there are no restrictions on the Groups ability to utilise its bank facilities.

21. Financial instruments and risk management

The Group has no material financial instruments other than cash, current receivables and liabilities, in both this and the prior period, all of which arise directly from its operations. The net fair value of its financial assets and liabilities is the same as their carrying value as detailed in the balance sheet and related notes.

Credit risk - The Group's credit risk relates to its receivables and is managed by undertaking regular credit evaluations of its customers.

Liquidity risk - The Group operates a cash-generative business and holds net funds. The Directors consider the funding structure to be adequate for the Group's current funding requirements and this is expected to strengthen further during 2018.

Borrowing facilities - The Group has agreed facilities of £1.25 million, of which £nil was utilised at the year end.
These facilities are secured by an omnibus guarantee and set off agreement, secured by an unlimited debenture incorporating a bond and floating charge.

Financial assets - These comprise cash at bank and in hand. All bank deposits are floating rate.

Financial liabilities - These include short-term creditors and a revolving credit facility of £1million, of which £nil was utilised at the year end. All financial liabilities will be financed from existing cash reserves and operating cash flows.

Foreign currency risk - The Group is exposed to foreign exchange risk primarily from Euros due to its German operations and Euro denominated licensing income as detailed in note 4 Segmental Reporting. The Group monitors its foreign currency exposure and manages the position where appropriate. In addition, the Group has investments in a subsidiary in India.

22. Operating lease commitments

At the period end date, SpaceandPeople plc had outstanding commitments for future lease payments which fall due as follows:

	31 December '17 £'000	31 December '16 £'000
Within 1 year	357	863
Between 2 and 5 years inclusive	358	499

23. Called up share capital

Allotted, issued and fully paid			31 December '17	31 December '16
Class	Nominal value			
Ordinary	1p	£	195,196	195,196
		Number	19,519,563	19,519,563

24. Related party transactions

Compensation of key management personnel
Key management personnel of the Group are defined as those persons having authority and responsibility for the planning, directing and controlling the activities of the Group, directly or indirectly. Key management of the Group are therefore considered to be the directors of SpaceandPeople plc. There were no transactions with the key management, other than their emoluments, which are set out in the remuneration report.

25. Earnings per share

	12 months to 31 December '17 Pence per share	12 months to 31 December '16 Pence per share
Basic earnings per share		
Before non-recurring costs	4.8p	0.3p
After non-recurring costs	4.8p	(3.38p)
Diluted earnings per share		

Before non-recurring costs	4.3p	0.3p
After non-recurring costs	4.3p	(3.12p)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	12 months to 31 December '17 £'000	12 months to 31 December '16 £'000
Profit after tax for the period attributable to owners of the Company	933	(660)
Profit after tax for the period before non-recurring costs attributable to owners of the company	933	67

	12 months to 31 December '17 '000	12 months to 31 December '16 '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	19,520	19,520

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	12 months to 31 December '17 £'000	12 months to 31 December '16 £'000
Profit after tax for the period attributable to owners of the Company	933	(660)
Profit after tax for the period before non-recurring costs attributable to owners of the company	933	67

	12 months to 31 December '17 '000	12 months to 31 December '16 '000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	21,840	21,169

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.

	12 months to 31 December '17 '000	12 months to 31 December '16 '00
Weighted average number of shares in issue during the period	19,520	19,520
Weighted average number of ordinary shares used in the calculation of basic earnings per share deemed to be issued for no consideration in respect of employee options	2,320	1,649
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,840	21,169

26. Share options

The Group has established a share option scheme that senior executives and certain eligible employees are entitled to participate in at the discretion of the Board which is advised on such matters by the Remuneration Committee.

In aggregate, share options have been granted under the share option scheme over 1,885,522 ordinary shares exercisable within the dates and at the exercise prices shown below, being the market value at the date of the grant.

Date of grant	Number	Option period	Price
12 January 2015	838,650	12 January 2018 - 12 January 2025	47.4p
31 March 2016	646,872	31 March 2019 - 31 March 2026	61.0p
27 March 2017	400,000	29 March 2020 - 27 March 2027	22.0p

The movement in the number of options outstanding under the scheme over the period is as follows:

	12 months to 31 December '17	12 months to 31 December '16
Number of options outstanding as at the beginning of the period	1,557,235	985,307
Granted	400,000	700,000
Lapsed	-	(20,307)
Forfeited	(71,713)	(107,765)
Number of options outstanding as at the end of the period	1,885,522	1,557,235

In total, 1,885,522 options were outstanding at 31 December 2017 (1,557,235 at 31 December 2016) with a weighted average exercise price of 46.7p (53.1p at 31 December 2016).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payments, was £8,400 (2016: £nil).

27. Save As You Earn Scheme

The Group has two Save As You Earn ("SAYE") schemes that all UK based employees are entitled to participate in. The schemes both run for three years. The first scheme runs from 1 June 2015 and at the end of the term, participants will have the opportunity to buy shares in the Company at a price of 46p, which is a 20 percent discount on the closing share price on 2 April 2015. The second scheme runs from 1 July 2017 with the opportunity to buy shares at a price of 19.5p, a 20% discount on the average closing share price on the three working days from 20 to 24 April 2017.

In aggregate, share options have been granted under the SAYE scheme over 675,200 ordinary shares exercisable within the dates and at the exercise prices shown below, being the market value at the date of the grant.

Date of grant	**Number**	**Option period**	**Price**
28 April 2015	21,677	1 June 2018 - 30 November 2018	46.0p
18 May 2017	653,523	1 July 2020 - 31 December 2020	19.5p

The movement in the number of options outstanding under the scheme over the period is as follows:

	12 months to 31 December '17	12 months to 31 December '16
Number of options outstanding as at the beginning of the period	147,284	257,863
Granted	688,783	-
Forfeited	(160,867)	(110,579)
Number of options outstanding as at the end of the period	675,200	147,284

In total, 675,200 options were outstanding at 31 December 2017 (147,284 at 31 December 2016) with an average exercise price of 20.5p (46.0p at 31 December 2016).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payments, was £42,016 (2016: £nil).

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