



SpaceandPeople PLC - SAL Preliminary Results and Proposed Final Dividend
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SpaceandPeople plc

("SpaceandPeople" and the "Company")

Preliminary Results and Proposed Final Dividend

SpaceandPeople, the retail, promotional and brand experience specialist, is pleased to announce its preliminary results for the 12 months ended 31 December 2014.

Financial Highlights

- Gross revenue of £31.6 million
- Net revenue of £15.4 million
- Operating profit before non-recurring costs of £1.14 million
- Normalised EPS of 3.91p
- Proposed final dividend of 2.00p
- Net cash at year end of £1.6 million

Operational Highlights

- Over 20,000 unique promotions
- 276 Retail Merchandising Units in operation
- Launch of Mobile Promotion Kiosks in UK, Germany and India
- Over 1,500 unique venues
- Successful expansion of S&P+ Limited
- Overhead reduction plan implemented

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Chairman's Statement

2014 was a challenging year for SpaceandPeople, a year in which trading conditions became more difficult resulting in lower than expected business gains in each of the UK and Germany. This was particularly important as the loss of business in the previous year from a significant retail customer needed to be replaced. The reaction of the Executive and Management Teams in the business has been positive to these adverse conditions and the cost base of the business at all levels has been lowered, the effectiveness of the Sales Team improved and a new Mobile Promotions Kiosk product and service launched successfully. As a result, trading in the latter part of the year stabilised and also showed promising signs of growth.

There have been a number of changes at Board level with my own appointment as Non-Executive Chairman in October and I am delighted we have two new Non-Executives on the Board - George Watt and Steve Curtis - whose experience and guidance will be invaluable to the business. The Board is united in its determination to return SpaceandPeople to sustainable growth in its core businesses for the long term and to increase value for its shareholders, all within a structured framework.

The business is seeing the benefit of greater innovation and effectiveness from the Management and also Sales and Venue Teams. The expertise of our people and attractiveness of our business model are also seen in the revenues generated through SpaceandPeople ventures. This will deliver synergies to the core business over time.

In financial terms, operating profit before non-recurring costs was £1.14m and basic earnings per share before non-recurring costs was 3.91p. The Board has decided to recommend a full dividend of 2.00p per share, a significant portion of the retained earnings, indicating our confidence in the business.

Our people and their expertise are our most valuable asset and their effectiveness in gaining new venue space and commercialising that space continues to be fundamental to our business. The Executive Team have a clear focus on the effectiveness of these dynamics in growing our business and, in particular, establishing the Mobile Promotions Kiosk on a much greater scale.

As a relative newcomer to this business, I have been impressed with the dedication and vitality shown in every area of activity and, as a Board, we believe the business has a promising future.

Charles G. Hammond
Chairman
20 March 2015

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, Germany and also 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 and notes to 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- During 2014 a number of the Group's contracts with significant clients came to an end and some were either not renewed or were renewed on a smaller scale. 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 ten 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.

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:

	2014	2013
Gross revenue (£m)	31.6	35.0
Net revenue (£m)	15.4	14.6
Profit before taxation and non-recurring costs attributable to shareholders (£m)	1.0	2.6
Basic earnings per share before non-recurring costs (p)	3.91	10.11
Proposed dividend (p)	2.0	4.1
Average number of Retail Merchandising Units (RMUs)	276	283
Number of promotions	20,000	14,000

By order of the Board
Gregor Dunlay
Company Secretary
20 March 2015

Chief Executive Officer's Review

After many years of consistent and uninterrupted growth, 2014 was a challenging and disappointing year for the Group. I would like to explain what happened and what we have done to address the issues.

There are four core divisions to the business, being UK Promotions, UK Retail, German Promotions and German Retail. In addition to this we have other ventures through our S&P+ and SpaceandPeople India subsidiaries and our Russian licensee.

In the past, if one particular division encountered problems, the growth in the other divisions more than compensated for this and overall the Group's results improved at a steady rate. In 2014 this was not the case as we encountered significant issues and "headwinds" simultaneously in a number of divisions. The cumulative effect of these issues meant that the financial performance of the business in 2014 was significantly poorer than in previous years and was also well below what the Board had expected before the start of the year. I will address each of these issues in turn.

UK Promotions Division

This is the largest division in the Group and contributed gross sales of £17.4 million in 2014 (2013: £18.1 million). The division had a slow start to the year. New venues that we signed up to the service in 2013 took longer to gain traction and offered a smaller opportunity than we had anticipated. However, sales bounced back in the second half of the year ending up a little ahead of the previous year overall. It is particularly encouraging that these sales figures were achieved when no other commercialisation opportunities with significant property groups came on to the market. This shows the resilience of the business model and that our growth was achieved organically with existing clients and that we delivered record levels of income to many of them.

During the year we also undertook a reorganisation of our sales management structure. This has renewed focus on the basics of sales team productivity and management and revised sales incentives have given us a leaner structure with added emphasis on group as well as individual targets. We are hopeful that growth of UK venues and further improvement in sales productivity will lead to additional growth in 2015.

UK Retail Division

This division saw the biggest decline in revenues of all the core divisions; down 22% to £3.1 million from £3.9 million in the previous year. This was due primarily to a decrease in the average number of RMUs available to rent during the year from 175 to 141. Retail letting remains challenging, however we have made significant cost savings in this department and a reorganisation of the business saw it stabilise in the second half of 2014. We are also developing a new business model which looks to bring online retailers into malls. We believe that growth in short term and pop up retail is possible and new management and ideas are already demonstrating this.

German Promotions Division

2014 was a year of transition for this division. The renewal of a contract with a significant client on terms that were different to the previous contract removed our ability to book long term deals. Also, problems with new venues taking a protracted period of time to receive the required local government permits delayed our ability to trade. As a result, gross revenues dropped by 49% to £4.2 million from £8.3 million. The very end of the year saw some of these permits being unblocked, with more due to be unblocked in 2015 and we are now placing operators into these malls.

German Retail Division

The number of RMUs rose from 111 to 135 during the year, however, we didn't achieve the planned level of occupancy. As a result revenues were flat compared with the previous year and profits from this division were lower due to the additional rental cost of having more units in operation. The reasons for the lack of occupancy have been identified and acted upon with agreed rent reductions in marginal centres, the removal of RMUs from centres that do not allow sufficient opportunity to sell and a concentration on sales effectiveness as opposed to roll out of new units. This will improve profitability going forward. New innovative retailers and operators of units are still being developed, however the retail environment in Germany remains challenging and longer term we must continue to develop our offer.

Mobile Promotion Kiosks (MPKs)

MPKs are an innovative and unique product that we launched in the spring of 2014 in a number of Land Securities' shopping centres. As quality standards and prices for promoting have increased over the years this has proved a barrier for potential new promoters to be able to promote their businesses. In response to this, we created a high quality and attractive kiosk that would enable local brands to promote in a professional manner. This addresses the need for local business to gain access to centres without the huge design, build, and logistic cost of creating and installing their own promotional display stand. At the same time this creates promoter diversity and delivers high design standards to malls and has been very successful. The original seven units in this pilot ran at higher than expected occupancy and average sale value. Feedback from operators and venues has led to two new designs being developed that offer greater digital screen space and greater visibility with content management being controlled from our Head Office. We now manage all media content and update presentations which allows promoters to start their promotion without incurring set-up time or cost. The pilot has been extended to Germany and India and it is a key focus of the business to grow this service. Demand in many venues has been so strong that second units have been introduced in a number of them. Revenues are growing and we aim to reach our planned 40 to 50 units in the UK and 15 to 20 units in Germany by the end of this year, which will deliver real revenue growth and profitability. These innovative products are going back in some ways to SpaceandPeople basics; local and national businesses advertising to a local audience, at a relatively low cost with high impact, customer response and engagement.

Core Business Opportunities in 2015

There are four key drivers of growth in the core areas of our business: gaining additional venues, selling more activity to each venue, driving higher prices to promoters and occupiers and achieving a higher commission rate for our services. Of these four key drivers, the one that can have the biggest impact is gaining additional venues and in 2014 there were no significant portfolios up for tender or renewal. The 2015 pipeline is potentially much stronger and we are working hard to ensure that we are in a position to win as many new contracts as possible whilst continuing to increase the number of promotions and retailers we place into venues and improve the quality and pricing overall.

SpaceandPeople Group Ventures

In addition to our core divisions we also have a number of other businesses that we are now referring to as Ventures.

S&P+

The largest contributor to Ventures is S&P+ Ltd. 2014 was this company's first full year of operation following its launch in early 2013. Revenue in 2014 expanded rapidly to £3.0 million from £250,000 in 2013 and the company made a contribution to Group profit for the first time. The business has gained momentum with additional staff being embedded into major media agencies and the list of brands using our service is growing well. S&P+ is succeeding in filling a niche that allows media planners to offer this expertise to its key clients, managing more of their media spend and bringing additional credibility to the "experiential" buying process. We hope this unique and innovative division (again a world first for SpaceandPeople) although nascent, will develop to become a core division of the business in the medium term.

India

It was encouraging to see this division return to profit of £52,000 in 2014 from a break-even position in 2013. Cost cuts were implemented concentrating sales in Delhi and Mumbai, and I am pleased to report that the MacV sunglasses retail business for which we are the business partner increased the number of kiosks in operation from 11 to 22 during the year. I would like to congratulate Paresh Khivesara, the Managing Director of the Indian business, on being awarded best newcomer at the Indian Retail Awards held in January this year. It is well deserved and demonstrates that we are building a respected brand in India that is being recognised by the Industry. MPKs have been piloted in two venues in 2014 and we hope to expand this network to 10 in 2015.

Russia

The effect of sanctions and the drop in oil prices on the Russian economy has been well documented and our retail licensee has not been immune from this. In addition, this has been a transitional year for them as their business adapts from having one dominant client to having to service a far greater number of smaller clients. We remain very supportive of this business and believe that their business will recover in the medium term.

Restructuring

As the business has changed and grown over the past few years and then encountered a difficult period in 2014, the staff and management structure needed to be reviewed. During 2014 we commissioned an external appraisal of our sales processes and staff structure. This highlighted a number of opportunities to flatten the hierarchy and rationalise sales management, change how sales staff were incentivised to ensure it was aligned with the objectives and targets of the business and improve productivity. The key findings of this process have now been implemented and management are happy with the positive impact that this has had, while at the same time enabling significant savings in sales management costs.

During 2014 a number of senior roles within the Group were reorganised and rationalised. Through a process that involved a small number of redundancies as well as not replacing some individuals who left the business, we now have a smaller number of senior managers and directors that work closely as an executive team. This, along with the sales restructuring and some occupancy cost savings has enabled the Group to make significant overhead savings of around £700,000 on an annualised basis.

Board Changes

During 2014 we also made a number of changes in the Directorship of the Group. As was mentioned in the Interim Results, David Henderson-Williams stepped down as Chairman in September 2014, Steve Curtis joined the Board in June 2014 and George Watt joined in September 2014, both as Non-Executive Directors. Since then, we have announced the appointment of Charles Hammond as our new Non-Executive Chairman in October 2014 and the retirement of Martin Kemp as an Executive Director in November 2014.

These changes have brought significant additional expertise and experience to the Board and have been invaluable in assisting the other Directors during a challenging year and in proactively planning for a return to growth from 2015 onwards.

After being with the Group since the beginning, Fred Stirling has decided to retire from the Board at the forthcoming AGM. I would like to thank Fred personally for the guidance and support that he has provided to the Group and to Nancy and me in particular. I am delighted to announce that Fred has agreed to become Honorary President of Group and I am very grateful for his continued involvement.

Summary

A tough year has brought focus on developing the most profitable aspects of our business, cost cuts, a new board with added dynamism and experience, new products and a realisation if you don't innovate you go backwards. That said we have managed to generate £1 million of normalised profit for the year and the Board will recommend a final dividend of 2p per share at the forthcoming AGM. The management and Board feel we have a sustainable and profitable route to growth and we are driven to improve profits in 2015.

Matthew Bending
Chief Executive Officer
20 March 2015

Operating and Financial Review

Introduction

2014 has been a testing and transformational year for the business with some clients either leaving our service or reducing the amount of business they do with us, but other clients achieving record levels of commercialisation income.

During the year, we have developed and launched our innovative new Mobile Promotions Kiosk service in the UK, Germany and India which has already been well received by existing and potential new clients. The further roll out of this service is a key focus for 2015.

Following its launch in 2013, S&P+ grew its revenue significantly in 2014 and also made good progress in achieving its strategic aim of working with an increased number of the major media agencies.

We also implemented a review and restructuring of the overheads of the Group in early 2014, which was then carried out in the remainder of the year. As a result, from 2015 onwards the business will operate with a flatter, more efficient and more effective staff and management structure and with lower accommodation and servicing costs.

Revenue

During 2014, gross revenue generated on behalf of our clients was £31.6 million, which was a £3.4 million (10%) reduction in comparison with 2013. This was due primarily to gross revenue in the German promotions business falling by £4.1 million and revenue in the UK retail business falling by £1.1 million, offset by increased revenue in S&P+. Despite this decrease in gross revenue, net revenue earned by the Group increased by 6% to £15.4 million (2013: £14.6 million), although it must be highlighted that this increase was due mainly to the significant growth in the lower margin S&P+ offsetting reduced income in German promotions and UK retail.

Throughout 2014, UK promotions performed well, despite the loss of a significant client during 2013 with net revenue growing by 1% to £3.60 million. This was due to a marked increase in the level of customer acquisition bookings with new promoters and good performance booking retailers onto venues' own retail kiosks. Net revenue in German retail was level with the previous year at £2.99 million in both years however, the increase in the average number of RMUs in operation during the year by 24 to 135 units masked the fact that occupancy rates across this division fell to 78% in 2014 from 92% in 2013. Occupancy levels are expected to rise again in 2015. Retail revenue in the UK was 22% down compared with 2013 at £3.08 million as the average number of units in operation fell to 141 in 2014 from 175 in 2013, with an overall average occupancy rate of 85% in 2014 compared with 88% in 2013. German promotional net revenue fell by 19% to £2.51 million as a result of ECE's decision to take long-term bookings that were previously transacted by us in-house, however the growth in the amount of business transacted with other shopping centre groups has been strong and is encouraging.

During the year, the Group booked over 20,000 promotions and retailers into over 1,500 venues which demonstrates the continued growth in the reach and diversity of the business.

Administrative expenses

Administrative expenses in the Group increased by only 1% to £8.70 million, due primarily to the growth of S&P+ being offset by reduced costs in the core areas of the business.

The average number of people employed decreased by 10 to 129 from 139 in 2013 mainly as a result of the reduction in sales staff in the Indian business.

Profit

Profit before tax and non-recurring costs attributable to shareholders was lower than in the previous year at £1.01 million (2013: £2.62 million) and profit before taxation attributable to shareholders fell by 76% to £0.62 million (2013: £2.62 million).

The average rate of corporation tax across the Group was 22% compared with 27% in 2013. This decrease was as a result of an increased proportion of the Group's profit occurring in the United Kingdom than in previous years where the corporation tax rate is comparatively lower.

Basic Earnings per Share (EPS) before non-recurring costs fell to 3.91p (2013: 10.11p), a decrease of 61% with basic EPS after non-recurring costs falling to 2.34p (2013: 10.11p), a decrease of 77%. Fully diluted EPS before non-recurring costs fell to 3.51p (2013: 8.98p), a decrease of 61% with fully diluted EPS after non-recurring costs falling to 2.10p (2013: 8.98p), a decrease of 77%. Basic EPS is calculated as profit after tax attributable to owners of the company divided by the weighted average number of shares in issue during the year, which was 19,519,563 (2013: 19,492,416). 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 21,707,874 (2013: 21,945,327).

Cash flow

The Group generated £771,000 of net cash flow from operating activities during the year (2013: £2.07 million) and in addition to returning £800,000 to shareholders by way of a dividend payment (2013: £681,000) and also repaid the final £205,000 of its term loan (2013: £480,000).

Dividends

The Group is proposing a final dividend of 2.00p per share at the Annual General Meeting on 24 April 2015. If approved, this will be paid on 27 April 2014. This dividend would represent a distribution to shareholders of 51% of the basic EPS before non-recurring costs in the year.

Gregor Dunlay
Chief Financial Officer
20 March 2015

Consolidated Group Statement of Comprehensive Income

For the 12 months ended 31 December 2014

	Notes	12 months to 31 December '14 £'000	12 months to 31 December '13 £'000
Revenue	4	15,446	14,567
Cost of Sales	4	(5,839)	(4,023)
Gross Profit		9,607	10,544
Administration expenses		(8,696)	(8,587)
Other operating income		224	322
Operating profit before non-recurring costs	5	1,135	2,279
Non-recurring costs	7	(391)	-
Operating Profit		744	2,279
Finance income	8	36	215
Finance costs	8	(18)	(55)

Profit before taxation		762	2,439
Taxation	9	(166)	(648)
Profit after taxation		596	1,791
Foreign exchange differences on translation of foreign operations		(28)	(51)
Total comprehensive income for the period		568	1,740
Profit for the year attributable to:			
Owners of the Company		456	1,971
Non-controlling interests		140	(180)
Total comprehensive income for the period attributable to:		596	1,791
Owners of the Company		428	1,920
Non-controlling interests		140	(180)
Total comprehensive income for the period		568	1,740
Earnings per share	24		
Basic - Before non-recurring costs		3.91p	10.11p
Basic - After non-recurring costs		2.34p	10.11p
Diluted - Before non-recurring costs		3.51p	8.98p
Diluted - After non-recurring costs		2.10p	8.98p

Consolidated Group Statement of Financial Position

At 31 December 2014

Company number SC212277

	Notes	31 December '14 £'000	31 December '13 £'000
Assets			
Non-current assets:			
Goodwill	12	8,225	8,225
Other intangible assets	13	18	7
Property, plant & equipment	14	1,374	1,590
		9,617	9,822
Current assets:			
Trade & other receivables	16	4,221	5,137
Cash & cash equivalents	17	2,115	2,088
		6,336	7,225
Total assets		15,953	17,047
Liabilities			
Current liabilities:			
Trade & other payables	18	5,835	6,260
Current tax payable	18	(170)	562
Other borrowings	19	250	205
		5,915	7,027
Non-current liabilities:			
Deferred tax liabilities	15	10	10
Long-term loan	19	250	-
		260	10

Total liabilities		6,175	7,037
Net assets		9,778	10,010
Equity			
Share capital	22	195	195
Share premium		4,868	4,868
Special reserve		233	233
Retained earnings		4,345	4,717
Equity attributable to owners of the Company		9,641	10,013
Non-controlling interest		137	(3)
Total equity		9,778	10,010

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2014.

Signed on behalf of the Board of Directors by:

MJ Bending - Director

Consolidated Group Statement of Cash Flows

For the 12 months ended 31 December 2014

	Notes	12 months to 31 December '14 £'000	12 months to 31 December '13 £'000
Cash flows from operating activities			
Cash generated from operations		1,687	2,499
Interest paid	8	(18)	(55)
Taxation		(898)	(375)
Net cash inflow from operating activities		771	2,069
Cash flows from investing activities			
Interest received	8	36	215
Purchase of intangible assets	13	(30)	(1)
Purchase of property, plant & equipment	14	(245)	(592)
Net cash (outflow) from investing activities		(239)	(378)
Cash flows from financing activities			
Proceeds from issue of shares		-	39
Repayment of bank loan / loan notes		(205)	(480)
Bank facility received / (repaid)		500	(500)
Dividends paid	11	(800)	(681)
Net cash (outflow) from financing activities		(505)	(1,622)
Increase in cash and cash equivalents		27	69
Cash and cash equivalents at beginning of period		2,088	2,019

Cash and cash equivalents at end of period	17	2,115	2,088
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Reconciliation of operating profit to net

cash flow from operating activities

Operating profit		744	2,279
Amortisation of intangible assets	13	19	14
Depreciation of property, plant & equipment	14	461	364
Effect of foreign exchange rate moves		(28)	(51)
Decrease / (increase) in receivables		916	(1,298)
(Decrease) / increase in payables		(425)	1,191
Cash flow from operating activities		1,687	2,499

Group Statement of Changes in Equity

For the 12 months ended 31 December 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
At 31 December 2012	194	4,830	233	3,478	177	8,912
Comprehensive income:						
Foreign currency translation	-	-	-	(51)	-	(51)
Profit for the period	-	-	-	1,971	(180)	1,791
Total comprehensive income	-	-	-	1,920	(180)	1,740
Transactions with owners:						
Shares issued	1	38	-	-	-	39
Dividends paid	-	-	-	(681)	-	(681)
Total transactions with owners	1	38	-	(681)	-	(642)
At 31 December 2013	195	4,868	233	4,717	(3)	10,010
Comprehensive income:						
Foreign currency translation	-	-	-	(28)	-	(28)
Profit for the period	-	-	-	456	596	568
Total comprehensive income	-	-	-	428	140	568
Transactions with owners:						
Dividends paid	-	-	-	(800)	-	(800)
Total transactions with owners	-	-	-	(800)	-	(800)
At 31 December 2014	195	4,868	233	4,345	137	9,778

Notes to the Financial Statements

For the 12 months ended 31 December 2014

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 2014 and for the comparative period ended 31 December 2013 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 part 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

<u>Title</u>	<u>Implementation</u>	<u>Effect on Group</u>
IAS 27 - (Revised 2011) 'Separate Financial Statements'	Annual periods beginning on or after 1 January 2014	None
IAS 28 - (Revised 2011) 'Investments in Associates and Joint Ventures'	Annual periods beginning on or after 1 January 2014	None
IFRS 10 - 'Consolidated Financial Statements'	Annual periods beginning on or after 1 January 2014	None
IFRS 12 - 'Disclosure of Interests in Other Entities'	Annual periods beginning on or after 1 January 2014	None
IAS 32 - Amendments to 'Financial Instruments : Presentation: Offsetting Financial Assets and Financial Liabilities'	Annual periods beginning on or after 1 January 2014	None
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	Annual periods beginning on or after 1 January 2014	None
IAS 36 - Amendments to 'Recoverable Amount Disclosures for Non-Financial Assets'	Annual periods beginning on or after 1 January 2014	None

The following standard will be introduced in future periods

<u>Title</u>	<u>Implementation</u>	<u>Effect on Group</u>
IAS 19 - Amendments to 'Defined Benefit Plans: Employee Contributions'	Annual periods beginning on or after 1 July 2014	None
Annual Improvements to IFRSs	Annual periods beginning on or	None

(2010-2012 and 2011-2013)	after 1 July 2014	
Annual Improvements to IFRSs (2012-2014)	Annual periods beginning on or after 1 January 2016	None
IFRS 15 - 'Revenue from Contracts with Customers'	Annual periods beginning on or after 1 January 2017	None
IAS 16 & IAS 38 - 'Clarification of Acceptable Methods of Depreciation and Amortisation'	Annual periods beginning on or after 1 January 2016	None
IFRS 9 - 'Financial Instruments (2014)'	Annual periods beginning on or after 1 January 2018	None
IAS 27 - Amendments to 'Equity Method in Separate Financial Statements'	Annual periods beginning on or after 1 January 2016	None
IFRS 10 & IAS 28 - 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture'	Annual periods beginning on or after 1 January 2016	None
IAS 1 - Amendments to 'Disclosure Initiative'	Annual periods beginning on or after 1 July 2016	None

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.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment,

the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) 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.

Commission

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

Acting as principal

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 administrative expenses.

Leasing Income

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

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

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 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, 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 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, before licence fees and management charges made between Group companies and an Other segment that incorporates S&P+ and SpaceandPeople India.

<u>Segment revenues and results for 12 months to 31 December '14</u>	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000
Continuing	3,603	2,507	3,277	2,988	-	3,071	15,446

**operations
revenue**

Cost of sales	-	-	(2,148)	(1,651)	-	(2,040)	(5,839)
Administrative expenses	(2,438)	(2,335)	(883)	(1,110)	(1,183)	(747)	(8,696)
Other revenue	-	24	-	190	-	10	224
Non recurring costs	(214)	(27)	(150)	-	-	-	(391)

Segment operating profit / (loss)	951	169	96	417	(1,183)	294	744
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Finance income	36	-	-	-	-	-	36
Finance costs	(16)	-	(2)	-	-	-	(18)

Segment profit / (loss) before taxation	971	169	94	417	(1,183)	294	762
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<u>Segment assets and liabilities as at 31 December '14</u>	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Other £'000	Group £'000
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Total segment assets	5,558	2,786	4,869	1,681	1,059	15,953
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Total segment liabilities	(2,540)	(1,132)	(1,138)	(671)	(694)	(6,175)
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Total net assets	3,018	1,654	3,731	1,010	365	9,778
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<u>Segment revenues and results for 12 months to 31 December '13</u>	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000
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Continuing operations revenue	3,566	3,106	4,489	2,994	-	412	14,567
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Cost of sales	-	-	(2,542)	(1,312)	-	(169)	(4,023)
Administrative expenses	(2,104)	(2,365)	(931)	(1,166)	(1,402)	(619)	(8,587)
Other revenue	-	111	-	202	-	9	322

Segment operating profit / (loss)	1,462	852	1,016	718	(1,402)	(367)	2,279
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Finance Income	-	-	215	-	-	-	215
Finance costs	-	-	(55)	-	-	-	(55)

Segment profit / (loss) before taxation	1,462	852	1,176	718	(1,402)	(367)	2,439
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<u>Segment assets and liabilities as at 31 December '13</u>	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Other £'000	Group £'000
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Total segment assets	5,753	3,049	5,445	2,140	660	17,047
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Total segment liabilities	(1,625)	(1,248)	(1,997)	(1,557)	(610)	(7,037)
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liabilities						
Total net assets	4,128	1,801	3,448	583	50	10,010

5. Operating profit

The operating profit is stated after charging:

	12 months to December '14 £'000	12 months to December '13 £'000
Motor vehicle leasing	63	53
Property leases	290	287
Amortisation of intangible assets	19	14
Depreciation of property, plant and equipment	461	364
	833	718
Auditor's remuneration:		
Fees payable for:		
Audit of Company	18	18
Audit of subsidiary undertakings	22	16
Tax services	4	4
Other services	7	9
	51	47
Directors' remuneration	671	666

6. Staff costs

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

	12 months to December '14	12 months to December '13
Executive Directors	6	6
Administration	26	27
Telesales	65	70
Commercial	25	27
Maintenance	7	9
	129	139
	12 months to December '14 £'000	12 months to December '13 £'000
Wages and salaries	4,470	4,354
Social Security costs	524	551
Pensions	42	26
	5,036	4,931

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 took steps to reduce costs and streamline overheads. As a result, non-recurring costs of £391,000 were incurred. This was as a result of redundancy costs (£230,000) and other costs (£11,000). The Group also made provision for possible retrospective costs in relation to UK centres (£150,000).

8. Finance income and costs

	12 months to December '14 £'000	12 months to December '13 £'000
Finance costs:		
Interest received	36	215
Interest payable	(18)	(55)

Interest received in 2013 included the refund of interest previously paid on interest hedging products and the associated interest on overpayments.

9. Taxation

	12 months to December '14 £'000	12 months to December '13 £'000
UK corporation tax:		
Corporation tax	152	674
Adjustment in respect of prior period	(20)	170
Foreign tax:		
Current tax on foreign income for the period	34	-
Adjustment in respect of prior period	-	(196)
Income tax expense as reported in the Income Statement	166	648

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

	12 months to December '14 £'000	12 months to December '13 £'000
Profit on ordinary activities before tax	762	2,439
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)		
Jan - Mar 2013: 24%		144
Apr - Dec 2013: 23%		423
Jan - Mar 2014: 23%	44	
Apr - Dec 2014: 21%	120	
Tax effect of:		
- Expenses not deductible for tax purposes		81
- Difference due to foreign taxation rates	2	-
Income tax expense as reported in the Income Statement	166	648

10. 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 £4,452 after the incorporation of all UK head office costs (2013: £1,697,837) which is dealt with in the financial statements of the parent Company.

Company profit in 2013 includes licence fee recharges back to both German companies during the period for the years 2012 and 2013.

11. Dividends

	12 months to December '14 £'000	12 months to December '13 £'000
Paid during the period	800	681
Recommended final dividend	390	800

Equity - 4.10p per ordinary share proposed and paid for 2013. Recommended final dividend for 2014 - 2.00p per ordinary share.

The recommended final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

12. Goodwill

Cost	£'000
At 31 December 2012	8,225
Additions	-
At 31 December 2013	8,225
Additions	-
At 31 December 2014	8,225
Accumulated impairment losses	
At 31 December 2012	-
Charge for the period	-
At 31 December 2013	-
Charge for the period	-
At 31 December 2014	-
Net book value	
At 31 December 2012	8,225
At 31 December 2013	8,225
At 31 December 2014	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 Retail Profile Holdings Limited 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 Retail Profile Holdings Limited 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 5 year period followed by a terminal factor at a discount rate of 6% per annum. Cash flow projections during the budget period are based on an average growth in EBITDA which the Directors consider to be very 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.

13. Other intangible assets

Cost	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 December 2012	284	137	40	461
Additions	-	-	1	1
At 31 December 2013	284	137	41	462
Additions	-	-	30	30
At 31 December 2014	284	137	71	492
Amortisation				
	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 December 2012	284	137	20	441
Charge for the period	-	-	14	14
At 31 December 2013	284	137	34	455
Charge for the period	-	-	19	19
At 31 December 2014	284	137	53	474
Net book value				
	Website development	Product development	Patents & trademarks	Total

	£'000	£'000	£'000	£'000
At 31 December 2012	-	-	20	20
At 31 December 2013	-	-	7	7
At 31 December 2014	-	-	18	18

14. 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 2012	1,645	255	280	2,180
Additions	426	3	163	592
At 31 December 2013	2,071	258	443	2,772
Additions	210	-	35	245
At 31 December 2014	2,281	258	478	3,017
Depreciation	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 December 2012	478	161	179	818
Charge for the period	247	47	70	364
At 31 December 2013	725	208	249	1,182
Charge for the period	341	25	95	461
At 31 December 2014	1,066	233	344	1,643
Net book value	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 December 2012	1,167	94	101	1,362
At 31 December 2013	1,346	50	194	1,590
At 31 December 2014	1,215	25	134	1,374

15. Deferred tax

	31 December '14 £'000	31 December '13 £'000
Deferred tax liability:		
Accelerated capital allowances	10	10
Movement on deferred tax position:		
Opening balance	10	10
Closing balance	10	10

There has been no movement in the deferred tax balance in the year.

16. Trade and other receivables

	31 December '14 £'000	31 December '13 £'000
Trade debtors	3,864	4,329
Other debtors	44	203
Prepayments	308	269
Accrued revenue	5	336
Total	4,221	5,137

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 2014, trade receivables of £685,000 (2013: £1.44 million) 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 '14	3,179	167	127	391	3,864
31 December '13	2,888	433	275	733	4,329

17. Cash and cash equivalents

	31 December '14 £'000	31 December '13 £'000
Cash at bank and on hand	2,115	2,088
	2,115	2,088

18. Trade and other payables

	31 December '14 £'000	31 December '13 £'000
Trade creditors	685	899
Other creditors	2,098	2,047
Social Security and other taxes	613	407
Accrued expenses	1,707	1,812
Deferred income	732	1,095
Trade and other payables	5,835	6,260
Corporation tax	(170)	562
Total	5,665	6,822

19. Other borrowings

	31 December '14 £'000	31 December '13 £'000
Bank loan:		
Less than one year	250	205
Greater than one year	250	-
	500	205

At 31 December 2014, Retail Profile Holdings Limited had a bank loan of £nil (2013: £204,907). The loan was repaid in monthly instalments of £37,917 with interest at a fixed rate of 6.5%. The loan was secured by a fixed and floating charge over the assets of SpaceandPeople plc and its subsidiaries. This has now been repaid in full.

In addition, as at 31 December 2014, SpaceandPeople plc had drawn down £500,000 (2013: £nil) of its agreed bank facility of £2 million (2013: £2 million), £1 million of which expires in December 2015 and the other £1 million expires in July 2017.

20. 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.

Borrowing facilities - The Group has agreed facilities of £2 million, of which £500,000 was utilised at the year end. £250,000 was drawn down from a £1 million facility, which expires in July 2017, at a rate of 2.99% above base rate. The other £250,000 was drawn down from the other £1 million facility, which expires in December 2015, at a rate of 3.69% above base rate. Both of these facilities are secured by an omnibus

guarantee and set off agreement. These facilities improve the financial flexibility of the Group.

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

Financial liabilities - These include short-term creditors and revolving credit facilities of £2million, of which £500,000 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 hedges the position where appropriate. In addition, the Group has investments in a subsidiary in India.

21. Operating lease commitments

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

	31 December '14 £'000	31 December '13 £'000
Within 1 year	2,744	3,172
Between 2 and 5 years inclusive	4,439	5,978

22. Called up share capital

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

23. 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.

24. Earnings per share

	12 months to 31 December '14 Pence per share	12 months to 31 December '13 Pence per share
Basic earnings per share		
Before non-recurring costs	3.91p	10.11p
After non-recurring costs	2.34p	10.11p
Diluted earnings per share		
Before non-recurring costs	3.51p	8.98p
After non-recurring costs	2.10p	8.98p

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 '14 £'000	12 months to 31 December '13 £'000
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Profit after tax for the period attributable to owners of the Company	456	1,971
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	12 months to 31 December '14 '000	12 months to 31 December '13 '000
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Weighted average number of ordinary shares for the purposes of basic earnings per share	19,520	19,492
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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 '14 £'000	12 months to 31 December '13 £'000
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Profit after tax for the period attributable to owners of the Company	456	1,971
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	12 months to 31 December '14 '000	12 months to 31 December '13 '000
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	21,708	21,945
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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 '14 '000	12 months to 31 December '13 '000
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Weighted average number of shares in issue during the period	19,520	19,492
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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	2,188	2,453
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Weighted average number of ordinary shares used in the calculation of diluted earnings per share	21,708	21,945
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25. 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 1,130,082 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
---------------	--------	---------------	-------

16 January 2008	11,611	16 January 2011 - 15 January 2015	155p
14 January 2009	8,000	14 January 2012 - 13 January 2016	50p
1 June 2009	12,307	1 June 2012 - 30 May 2015	65p
22 October 2009	193,499	1 November 2012 - 30 April 2015	88.6p
22 October 2009	194,665	1 November 2013 - 30 April 2015	88.6p
26 March 2013	710,000	26 March 2016 - 26 March 2023	101p

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

	12 months to 31 December '14 '000	12 months to 31 December '13 '000
Number of options outstanding as at the beginning of the period	2,452,911	1,983,076
Granted	-	730,000
Exercised	-	(61,500)
Forfeited	-	(198,665)
Lapsed	(1,322,829)	-
Number of options outstanding as at the end of the period	1,130,082	2,452,911

In total, 1,130,082 options were outstanding at 31 December 2014 (2,452,911 at 31 December 2013) with a weighted average exercise price of 96.5p (86.9p at 31 December 2013). Of these, 420,082 were exercisable (808,246 at 31 December 2013) with a weighted average exercise price of 89.0p (88.8p at 31 December 2013).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share based payments, was £nil (2013: £30,806). No value has been included in the accounts for share options issued prior to 2012. The fair value of these options was assessed at the date of issue and deemed to such that no adjustment in the financial statements was required.

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