

Report of the Directors and  
Financial Statements for year ended  
31 December 2018

**SpaceandPeople plc**

SpaceandPeople plc

Highlights

**Financial Highlights**

Gross revenue of £18.8 million (2017: £22.4 million)

Net revenue of £7.9 million (2017: £10.0 million)

Loss before taxation and non-recurring items attributable to shareholders of £0.1 million (2017: £1.2 million profit)

Basic Earnings per Share before non-recurring costs of (2.2)p (2017: 4.8p)

Cash at year end of £0.8 million with no bank borrowing (2017: £2.7 million)

Proposed dividend of 0.5p per share (2017: 1.5p)

**Operational Highlights**

Continued focus on core UK and German markets

Challenging trading conditions in all divisions, but with pleasing contract renewals during the year with Landsec and M&G in the UK

Continued programme of costs reduction

Strengthening of senior team creating good opportunities

Hammerson contract win (UK) and ECE contract extension (Germany) since the start of 2019

SpaceandPeople plc

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SpaceandPeople plc

Chairman's Statement

For the 12 months ended 31 December 2018

Firstly, I am delighted to have taken on the Chairmanship of the Group during 2018 and on behalf of the Board I would firstly like to thank my predecessor, Charles Hammond, for his service to the Group and stewardship during that time.

During 2017, we maintained our focus on our core UK and German markets. We continued this strategy in 2018 and have successfully renewed our agreements with Landsec and M&G Investments in the UK and with ECE in Germany. In addition, we recently announced the signing of a new agreement with Hammerson plc in the UK which will provide additional opportunities for both parties.

Even though these agreements were renewed, as explained to you during 2018, trading conditions in both the UK and Germany were difficult due to a number of reasons. Unusual weather conditions with severe snow storms in the first quarter of the year followed by a long, hot summer in both the UK and Germany disrupted normal trade in venues. In addition, the World Cup over the summer distracted brands from focusing on their usual activity with us. Although normal conditions returned during the autumn and winter, we were unable to recover from the slow start to the year and a poor period of trading in the key month of December meant that the Group delivered a small operating loss on recurring activities for the year as a whole.

Notwithstanding these disappointing results, the Board will propose a dividend of 0.5p per share at the upcoming AGM.

Despite 2018 having been a difficult year, we look forward to 2019 with confidence following management's success in securing new agreements and successfully renewing other agreements on good terms.

I would like to thank the executive directors, the senior management team and all staff across the business for all their hard work during 2018 and I am confident that this will continue and lead to a successful 2019.

George Watt  
Chairman  
22 March 2019

## SpaceandPeople plc

### Strategic Report

For the 12 months ended 31 December 2018

#### **Principal Activities**

The principal activity of the Group is the marketing and selling of promotional and retail licensing space on behalf of shopping centres, retail parks, railway stations and other venues throughout the UK and Germany.

The strategy, objectives and business model of the Group are developed by the executive directors and the senior management team, and then approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group has a diverse portfolio of shopping centre, railway station, retail park and airport clients. The Group continuously looks for new clients and potential revenue streams to help grow and diversify the business and deliver sustainable growth in value for shareholders.

#### **Review of Business and Future Developments**

The results for the period and the financial position of the Group are shown in the financial statements on pages 23 to 26.

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 on pages 3 and pages 7 to 8.

#### **Principal Risks and Uncertainties**

The principal risks identified in the business are:

*Loss of client(s)* – 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.

*Credit risk* – The Group is exposed to credit risk from its operating activities, namely its trade receivables. This risk is mitigated through is managed by undertaking regular credit evaluations of its customers. The Group applies the IFRS 9 simplified approach to measuring expected credit losses on trade receivables. To measure the expected credit losses, trade receivables were considered on a days past due basis. The expected loss rates are based on the Group's historical default rates adjusted for forward looking estimates. The identified impairment loss arising following the application of the expected credit loss model was not material to these financial statements. Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a repayment plan with the Group and a failure to make agreed contractual payments. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of any amounts are written off and credited against the same line item.

*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 eight 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. Significant hardware and systems upgrades were completed during 2018 and a strengthened disaster recovery process was established in early 2019.

*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.

*Health & Safety* – The health and safety of our employees and any visitors to any of our sites is of utmost importance. We are fully committed to complying with all relevant laws and regulations in order to provide a safe and health environment. The Group is currently working towards ISO 45001 certification which is proactively improving our occupational health and safety systems.

*Cyber Security* – The Group has robust systems in place to protect all data held on its IT systems. All corporate and personal data relating to clients, licensees and staff is held on secure servers, in encrypted files and behind robust firewalls. The appropriateness and effectiveness of our cyber security is tested by external advisors on a regular basis.

*Financial Reporting* – A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. This budget is revised twice throughout the year and performance against the budget and forecasts is reviewed by the management team on a monthly basis and by the Board at each Board meeting. If the Board believes that as a result of the performance to date during the year, or as a result of any changes to the forecasts for the remainder of the year, the results of the Group are likely to differ materially from the results that are expected by the market, the Board will communicate this to the market at the earliest possible opportunity. The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Group's website is regularly updated and announcements or details of presentations and events are posted onto the website.

*Banking Covenants* – The Group has a number of banking covenants in relation to its borrowing facilities. The Group's compliance with these covenants is assessed on an ongoing basis and any actual or potential breach is communicated to the Board and all other relevant parties as required.

*Brexit* – Given the current uncertainty surrounding the UK's departure from the EU, the Group has reviewed its potential exposure to the most likely exit scenarios. Although the Group has two subsidiaries based in Germany, there is no cross-border trade between the companies and as a result, the physical and logistical impact of Brexit is unlikely to have a significant impact on the operations of the Group. The possible macro-economic impacts of Brexit are more likely to affect the performance of the Group and the Board and staff will look to react to any situation at the earliest opportunity.

## Key Performance Indicators

The key performance indicators are:

|  | 2018  | 2017 |
|--|-------|------|
| Gross revenue (£ million)  | 18.8  | 22.4 |
| Net revenue (£ million)  | 7.9   | 10.0 |
| (Loss) / profit before taxation and non-recurring costs attributable to shareholders (£ million) | (0.1) | 1.2  |
| Basic (loss) / earnings per share before non-recurring costs (p)                                 | (2.2) | 4.8  |
| Proposed dividend (p)  | 0.5   | 1.5  |
| Average number of Retail Merchandising Units (RMUs)  | 158   | 185  |
| Average number of Mobile Promotions Kiosks (MPKs)  | 60    | 75   |

By order of the Board

Gregor Dunlay  
Company Secretary  
22 March 2019

SpaceandPeople plc

Chief Executive Officer's Review

For the 12 months ended 31 December 2018

2018 demonstrated that when tactical advertising budgets are withheld from a service business whose main overhead is staffing costs, the results fall straight to the bottom line.

The key reasons for the poor performance were:

1. Bad weather in Q1: The 'Beast from the East' hit UK sales for two months, even though it lasted three days;
2. Good weather in Q2 and Q3: Brands looked for outdoors locations that we could not source at such short notice;
3. The World Cup. A decent run by participating home nations led to the country tuning in to football to the exclusion of much else;
4. Investment in improving our service and staff. This investment was aimed at expansion and this cost increase coincided with a decrease in sales; and
5. A tough retail backdrop in the UK with a loss of venues due to ownership changes.

Ultimately, sales did not match forecasts and we could not cut costs quickly enough to counteract the situation to any appreciable degree. We had anticipated a continuation of 2017's success but this did not occur for the reasons explained above.

The poor performance does not reflect the hard work put in by all of our teams and I am grateful to them for their continued efforts and commitment, despite commission payments being curtailed, bonus payments being restricted or stopped and pay freezes being implemented.

In SpaceandPeople Germany, we have cut annualised costs by circa €0.4 million by reducing headcount. This reduced cost base in 2019 and sales maintained at a level similar to 2018 will produce significantly increased levels of profit. Furthermore, office lease costs will reduce in 2019 as the lease on a large and relatively expensive office in Hamburg will not be renewed in August, reducing costs in both SpaceandPeople and POP Retail in Germany. With no formal contracts in place, we do not see the German promotions business making positive progress unless new business materialises. As we have legacy revenues for the next 18 months, the business will continue to trade for at least the short-term and the remaining staff will concentrate on delivering more RMU opportunities for POP Retail Germany.

In Pop Retail Germany, RMUs being placed in key locations did not happen timeously enough for retailers to respond. The subsequent renegotiation and extension to the contract with our key client in Germany, ECE, has addressed this variability. With the recent pilot programmes with DI Group and HBB Group announced post year-end, we can see improved margins and increased profits from this division in 2019. As a result of the improved margins and reduced overheads across the two German divisions we are confident they will deliver a positive contribution to Group cash flow in 2019.

The UK is, and will continue to be, the revenue and profit driver for the Group, despite a difficult year which saw total Group revenues drop to £7.9 million from £10.0 million in 2017, mainly due to the extenuating circumstances explained above. Since the end of 2018 we have been awarded a new, multi-year contract with Hammerson in the UK, and our investment in venue development personnel is delivering a good new venues pipeline in the UK.

The MPK roll-out programme in the UK stalled at 60 units compared with 68 units in 2017 due to a lack of new venues and revenue plateaued as a result. The Hammerson contract will see us deliver 10 new MPKs in high footfall locations and the booking pipeline is currently strong for 2019.

Overall, you will be pleased to note that staff are motivated and we can see the UK and Germany regaining lost ground in both new venues and revenues compared with 2018. Despite the uncertain macro-economic backdrop, trading in all divisions for the first three months is currently in line with management expectations and ahead of the comparable period in 2018.



The Board has also decided to write-off the goodwill in relation to SpaceandPeople India of £0.24 million. This has no cash impact on the Group. We still retain a majority shareholding in this business and it is continuing to trade at an acceptable level. New location wins at three regional airports has seen the number of kiosks increase to 34, and we hope that in 2019 it will become profitable. We would like to reassure shareholders that this is not a distraction from our core businesses and our involvement amounts to occasional marketing support and two visits per year from Gregor Dunlay or me. It is our intention to sell the business to Indian investors when the business can demonstrate that it is profitable.

Towards the end of the year, we announced a contract with MG Malls, the largest independent out-of-home media business in the USA, to represent SpaceandPeople in North America. The contract is for an initial 12-month term which enables MG Malls to discuss SpaceandPeople products and services with US mall owners and operators exclusively. Work continues with MG Malls and the latest post-year update showed a positive response to presentations by many mall groups. Follow-up discussions are planned and we will keep the market updated, as appropriate.

In 2019 the UK business is aiming to gain certification for ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety). It is important for our business to comply with these standards in order to demonstrate to all stakeholders that proper operating systems are followed and that we comply with best practice in relation to our environmental impact and health and safety procedures.

Despite the disappointing performance in 2018, our strong cash position, improved expectations for 2019 and a good pipeline of potential new business gives us the confidence to announce a dividend of 0.5p per share, subject to shareholder approval at the AGM.

Matthew Bending  
Chief Executive Officer  
22 March 2019

## SpaceandPeople plc

### Operating and Financial Review

For the 12 months ended 31 December 2018

The principal focus of the Group during 2018 was to continue the concentration of efforts on our core business units.

All divisions delivered lower revenue than in the previous year. UK promotional revenue fell by 12% and operating profit before non-recurring costs by 68% to £0.4 million compared with 2017. This was principally the result of adverse weather conditions, the effect of the football World Cup and the difficult UK trading environment. Retail revenue fell by 11%, however, operating profit increased by 23% to £0.5 million due to reduced administration costs.

German retail revenue fell by 38% due to a planned further decrease in the number of RMUs in operation coupled with disappointing occupancy rates. Profitability fell from an operating profit of £0.2 million in 2017 to a loss of £0.3 million in 2018. Revenue in the German promotional division fell by 54% as the ending of the agreement with MEC Group meant that this division no longer had any exclusive venue partners. Consequently, overheads have been reduced by a further £0.3 million which resulted in the division making an operating loss of £0.2 million compared with a break-even position in the previous year.

#### Revenue

Gross revenue generated on behalf of our clients was £18.8 million in 2018, which was £3.6 million (16%) lower than like for like gross revenue in the previous year. This was due to further reductions in German promotional and retail revenue where gross revenue fell by £1.2 million, UK retail revenue, which fell by £0.4 million and UK promotional revenue, which fell by £2.0 million. Despite gross revenue falling by 16%, net revenue fell by 21% to £7.9 million as the UK promotional division achieved a lower blended commission rate than in the previous year.

Within the UK promotional division Brand Experience revenue was hit particularly hard with net revenue falling 17% compared with the previous year due to the weather and the effects of the World Cup.

UK retail revenue fell by £0.4 million to £3.1 million in 2018. This was largely due to a fall of £0.3 million in RMU revenue as a result of a decrease in the average number of RMUs in operation from 91 to 74 units.

#### Administrative Expenses

Due to a targeted reduction in admin headcount, administrative expenses of the Group were £0.3 million (8%) lower than in the previous year even after accounting for the recruitment of key personnel targeted with venue development and key account management.

The average number of people employed in the business fell by 7 to 92 in 2018. This was primarily due to a reduction in the number of administrative staff from 32 to 27.

#### Profit

Operating loss before non-recurring items of £0.2 million represented a fall of £1.4 million on the previous year (2017: profit of £1.2million).

Basic Earnings per Share ("EPS") fell to negative 2.2p (2017: positive 4.8p). Fully diluted EPS fell to negative 2.2p (2017: positive 4.3p). Basic EPS is calculated as profit after tax and before non-recurring costs 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 (2017: 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 21,548,024 (2017: 21,840,060). Where EPS is negative, dilution is not permitted to reduce the negative EPS

### Cash Flow

The Group cash outflow from operating activities was £1.4 million (2017: inflow of £2.6 million). This was largely due to a £1.4 million reduction in amounts payable as the unusually high level of trade and other payables at the end of 2017 was reduced during 2018. During the year £0.1 million was spent on fixed assets as the UK divisions finalised their bespoke CRM systems. A dividend of £0.3 million was also paid during the year. Consequently, the cash position was £1.8 million lower at the end of 2018 than 2017.

During 2018 the Group changed its principal banker from Lloyds Banking Group to Santander UK. This decision was taken due to the suitability and competitiveness of Santander's lending proposal for the Group's working capital facility and we are delighted to be working with them.

### Dividends

The Board is proposing a final dividend of 0.5p per share at the Annual General Meeting on 24 April 2019. If approved, this will be paid on 25 April 2019.

Gregor Dunlay  
Chief Financial Officer  
22 March 2019

SpaceandPeople plc

Report of the Directors

For the 12 months ended 31 December 2018

The Directors present their annual report and audited financial statements of SpaceandPeople plc for the year ended 31 December 2018.

**Key Performance Indicators**

The main financial key performance indicators are profit before taxation and non-recurring costs attributable to owners of the Company and basic EPS. During the year the loss before taxation and non-recurring costs attributable to owners of the Company was £0.1 million (2017: profit of £1.2 million) and basic EPS before non-recurring costs was negative 2.2p (2017: positive 4.8p).

The Group maintains records of every booking ever undertaken and continually monitors several key areas:

- revenue against target and prior year;
- profitability against target and prior year;
- venue acquisition, performance and attrition;
- promoter and operator types compared with historic bookings; and
- commission and occupancy rates.

**Principal Risks and Uncertainties**

The principal risks and uncertainties affecting the Group are explained in the Strategic Report on pages 4 and 5.

**Dividends**

A dividend of 1.5p per share was paid during 2018 (2017: no dividend paid). The Directors will propose a final dividend of 0.5p per share at the Annual General Meeting on 24 April 2019. If approved, this will be paid on 25 April 2019.

**The Directors and Their Interests**

The Directors who served during the period under review were:

|             |   |
|-------------|---|
| C G Hammond | Non-Executive Chairman – resigned 29 June 2018  |
| W G Watt    | Non-Executive Chairman – appointed 29 June 2018 |
| M J Bending | Chief Executive Officer                         |
| N J Cullen  | Chief Operating Officer                         |
| G R Dunlay  | Chief Financial Officer                         |
| S R Curtis  | Non-Executive Director                          |

Directors' interests in the ordinary shares of the Group and in share options are disclosed in the Remuneration Report on pages 17 to 18.

## Substantial Shareholdings

At the date of this report, the following substantial shareholdings representing more than 3% of the Group's issued share capital, other than those held by the Directors, have been notified to the Group:

| Ordinary Ip Shares          | Number    | %     |
|-----------------------------|-----------|-------|
| Gresham House Strategic plc | 3,162,500 | 16.20 |
| A V Stirling                | 1,632,684 | 8.36  |
| G Oury                      | 840,000   | 4.30  |

## Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Statement as to Disclosure of Information to Auditors

At the date of this report, as far as each of the Directors is aware:

- there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's Auditors are unaware; and
- each Director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

## Going Concern

After making enquiries, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing the financial statements.

## Charitable Donations

There were no donations to political parties or charitable organisations during the period (2017: £nil).

### **Financial Risk Review**

Detailed financial risk management objectives and policies are disclosed in note 19 in the accounts.

### **Employment Policies**

The Group is committed to complying with applicable employment laws in each country in which it operates and to fair employment practices, including prohibiting all forms of discrimination as well as granting equal access and fair treatment to all employees on the basis of merit. Wherever possible we provide the same opportunities for disabled people as for others and if employees become disabled we would make every effort to keep them in our employment, with appropriate training where required.

### **Health and Safety Policies**

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group has a Health and Safety policy which is enforced rigorously.

### **Auditor**

Campbell Dallas Audit Services have expressed their willingness to continue in office as Auditors and will be proposed for re-appointment at the Annual General Meeting.

On behalf of the Board

Gregor Dunlay  
Chief Financial Officer  
22 March 2019

SpaceandPeople plc

Corporate Governance Report

For the 12 months ended 31 December 2018

**Introduction**

SpaceandPeople plc is listed on the AIM Market of the London Stock Exchange and therefore is not required to comply with the provisions of the UK Corporate Governance Code (the “Code”) issued in October 2012. However, the Board is committed to high standards of corporate governance and has established governance procedures and policies that are considered appropriate to the nature and size of the Group. The Board considers that at this stage in the Group’s development the expense and practicalities of full compliance with the Code is not appropriate. This report sets out the procedures and systems currently in place and explains why the Board considers them to be effective. The Board is committed to reviewing our requirement to comply with the Code on a regular basis.

**The Board**

The Code requires the Company to have an effective Board which is collectively responsible for the long-term success of the Company through leadership within a framework of controls that assess and manage risk.

The Board currently comprises three Executive Directors and two independent Non-Executive Directors including a Non-Executive Chairman who is responsible for leadership by the Board and ensuring all aspects of its role.

George Watt is Chairman of the Group and Matthew Bending is Chief Executive Officer. Matthew is also one of the founders of SpaceandPeople and is a significant shareholder. It is his responsibility to ensure that the strategic and financial objectives of the Group as agreed by the Board are delivered. The Board’s two Non-Executive Directors act as a sounding board and challenge the Executive Directors both at formal Board meetings and on a regular and informal basis concerning the performance of management in meeting agreed goals and objectives. Each member of the Board brings different experience and skills to the Board and its various committees. The Board composition is kept under review as this mix of skills and business experience is a major contributing factor to the proper functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

Matters referred to the Board are considered by the Board as a whole and no one individual has unrestricted powers of decision. Matters that require the Board’s specific approval include Group strategy, annual budgets and forecasts, acquisitions, disposals, annual reports, interim statements, changes to the Group’s capital structure, significant funding requirements and nominations for Board and Committee appointments.

Where Directors have concerns, which cannot be resolved in connection with the running of the Group or a proposed action, their concerns would be recorded in the Board minutes. This course of action has not been required to date. The Directors can obtain independent professional advice at the Company’s own expense in performance of their duties as Directors.

The Group’s Directors are evaluated each year by way of peer appraisal. The appraisal seeks to determine the effectiveness and performance of each member with regards to their specific roles as well as their role as a Board member in general.

The appraisal system seeks to identify areas of concern and make recommendations for any training or development to enable the Board member to meet their objectives which will be set for the following year. The appraisal process will also review the progress made against prior year targets to ensure any identified skill gaps are addressed.

Whilst the Board considers this evaluation process is currently best carried out internally, the Board will keep this under review and may consider independent external evaluation reviews in the future.

As well as the appraisal process, the Board monitor the Non-executive Directors’ status as independent to ensure a suitable balance of independent Non-executive and Executive Directors remains in place.

The Board may utilise the results of the evaluation process when considering the adequacy of the composition of the Board and for succession planning. Succession planning is formally considered by the Board on an annual basis, in conjunction with the appraisal process.

Each year at the Annual General Meeting one-third of the Directors are required to retire by rotation, provided all Directors are subject to re-election at intervals of no more than three years. This year Matthew Bending and Gregor Dunlay are scheduled to retire by rotation. Both Directors have confirmed their willingness to be put forward for re-election.

The Board has established two committees to deal with specific aspects of the Board's affairs: Audit and Remuneration Committees.

### Attendance at Board and Committee Meetings

Attendance of Directors at Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

|   | Board |          | Remuneration Committee |          | Audit Committee |          |
|---|-------|----------|------------------------|----------|-----------------|----------|
|   | Held  | Attended | Held                   | Attended | Held            | Attended |
| C G Hammond – Non-Executive Chairman <sup>1</sup> | 4     | 4        | 2                      | 2        | 1               | 1        |
| M J Bending – Chief Executive Officer             | 8     | 8        | -                      | -        | -               | -        |
| N J Cullen – Chief Operating Officer              | 8     | 8        | -                      | -        | -               | -        |
| G R Dunlay – Chief Financial Officer              | 8     | 8        | -                      | -        | -               | -        |
| S R Curtis – Non-Executive Director               | 8     | 7        | 2                      | 2        | 1               | 1        |
| W G Watt – Non-Executive Chairman <sup>2</sup>    | 8     | 8        | 2                      | 2        | 2               | 2        |

<sup>1</sup> Resigned on 29 June 2018

<sup>2</sup> Appointed on 29 June 2018

### Audit Committee

The Audit Committee comprises George Watt (Chairman) and Steve Curtis. The Board considers that the members of the Committee have recent and relevant financial experience. If required, the Committee is entitled to request independent advice at the Company's expense for it to effectively discharge its responsibilities.

The Committee's main role and responsibilities are to:

- monitor the integrity of the financial statements of the Group;
- review the Group's arrangements in relation to whistleblowing and fraud;
- make recommendations to the Board to be put to shareholders for approval at the AGM, in relation to the appointment of the Company's external Auditor;
- discuss the nature, extent and timing of the external Auditor's procedures and findings; and
- report to the Board whatever recommendations it deems appropriate on any area within its remit where action or improvement is needed.

The Committee is scheduled to meet twice in each financial year and at other times if necessary.

### Internal control procedures

The Board is responsible for the Group's system of internal controls and risk management and has established systems to ensure that an appropriate level of oversight and control is provided. The systems are reviewed for effectiveness annually by the Audit Committee and the Board. The Group's systems of internal control are designed to help the business meet its objectives by appropriately managing, rather than eliminating, the risks to those objectives, and to provide reasonable, but not absolute assurance against material misstatement or loss. Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action is taken at an early stage.



## **Relations with shareholders**

The Board recognises the importance of regular and effective communication with shareholders. The primary forms of communication are:

- the annual and interim financial statements;
- investor and analyst presentations and discussions;
- announcements released to the London Stock Exchange; and
- the Annual General Meeting.

SpaceandPeople plc

Remuneration Report

For the 12 months ended 31 December 2018

**Remuneration Committee**

The Group has a Remuneration Committee comprising two Non-Executive Directors, Steve Curtis (Chairman) and George Watt.

The Committee's main roles and responsibilities are to:

- determine and agree with the Board the remuneration of the Group's Chief Executive, Executive Directors and such other members of the executive management as it is designated to consider;
- review the on-going appropriateness and relevance of the remuneration policy;
- approve any performance related pay schemes and approve the total annual payments made under such schemes; and
- review share incentive plans and for any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and other senior executives and the performance targets to be used.

The Committee meets at least once a year.

**Remuneration of Executive Directors**

The Group's policy on the remuneration of Executive Directors is to provide a package of benefits, including salary, bonuses and share options, which reward success and each individual's contribution to the Group's overall performance in an appropriate manner. The remuneration packages of the Executive Directors comprise the following elements:

- Basic salary – The Remuneration Committee sets basic salaries to reflect the responsibilities, skill, knowledge and experience of each Executive Director.
- Bonus scheme – The Executive Directors are eligible to receive a bonus in addition to their basic salary conditional upon both the Group and the individual concerned achieving their performance targets. Performance targets are set for each individual Director to ensure that they are relevant to their role.
- Pensions – Pension contributions to individuals' personal pension plans are payable by the Group at the rate of 5% of the individual Director's basic salary. During the year, two directors chose to take additional pension contributions in lieu of their bonuses.
- Share options – The Group operates a share option plan and Save As You Earn ("SAYE") scheme for both Executive Directors and employees. Further details of the plan and outstanding options as at 31 December 2018 are given in notes 24 and 25 to the financial statements.
- Other benefits – The Executive Directors are entitled to join the Group's Private Medical Insurance scheme.
- Car Benefits – car benefits have been provided to assist the executive directors in the performance of their roles and are designed to be cost effective.

All the Executive Directors are engaged under service contracts which require a notice period of 12 months.

**Remuneration of Non-Executive Directors**

The remuneration of the Non-Executive Directors is determined by the Executive Directors.

## Directors' remuneration

Details of individual Directors' emoluments for the year are as follows:

|                           | Salary or<br>fees<br>£ | Bonuses<br>£ | Benefits<br>£ | Pension<br>contributions<br>£ | 2018<br>£      | 2017<br>£      |
|---------------------------|------------------------|--------------|---------------|-------------------------------|----------------|----------------|
| C G Hammond <sup>1</sup>  | 20,000                 | -            | -             | -                             | 20,000         | 40,000         |
| W G Watt                  | 25,000                 | -            | -             | -                             | 25,000         | 20,000         |
| M J Bending               | 149,243                | -            | 5,609         | 7,462                         | 162,314        | 233,217        |
| N J Cullen                | 143,067                | -            | 2,453         | 6,888                         | 152,408        | 218,337        |
| G R Dunlay                | 137,763                | -            | 4,762         | 6,888                         | 149,413        | 210,311        |
| R A Chadwick <sup>2</sup> | -                      | -            | -             | -                             | -              | 4,500          |
| S R Curtis                | 22,500                 | -            | -             | -                             | 22,500         | 15,000         |
|                           | <b>497,573</b>         | -            | <b>12,824</b> | <b>21,238</b>                 | <b>531,635</b> | <b>741,365</b> |

<sup>1</sup> Resigned as a Director on 29 June 2018

<sup>2</sup> Paid to Richard Chadwick, who was not an employee of Company and who resigned as a Director on 25 April 2017

## Directors' interests in shares

The interests of the Directors in the shares of the Company at 31 December 2018, together with their interests at 31 December 2017, were as follows:

|                              | Number of ordinary 1p shares |                  |
|------------------------------|------------------------------|------------------|
|                              | 31 December 2018             | 31 December 2017 |
| Matthew Bending              | 2,102,200                    | 2,102,200        |
| Nancy Cullen                 | 1,333,000                    | 1,333,000        |
| George Watt                  | 120,000                      | 25,000           |
| Gregor Dunlay                | 10,000                       | 10,000           |
| Charles Hammond <sup>1</sup> | -                            | 23,500           |
| R A Chadwick <sup>2</sup>    | -                            | -                |

<sup>1</sup> Charles Hammond resigned as a Director on 29 June 2018

<sup>2</sup> Richard Chadwick resigned as a Director on 25 April 2017

## Directors' interests in share options

The interests of the Directors at 31 December 2018, in options over the ordinary shares of the Company were as follows:

|                 | At 31<br>December<br>2017 | Granted | Exercised | Surrendered | Lapsed           | At 31<br>December<br>2018 | Exercise<br>Price | Date of<br>Grant | Date from<br>which<br>exercisable | Expiry date |
|-----------------|---------------------------|---------|-----------|-------------|------------------|---------------------------|-------------------|------------------|-----------------------------------|-------------|
| Matthew Bending | 200,000                   | -       | -         | -           | (100,000)        | 100,000                   | 47.4p             | 12/01/15         | 12/01/18                          | 12/01/25    |
|                 | 120,000                   | -       | -         | -           | (120,000)        | -                         | 61.0p             | 31/03/16         | 31/03/19                          | 31/03/26    |
|                 | 75,000                    | -       | -         | -           | -                | 75,000                    | 22.0p             | 28/03/17         | 28/03/20                          | 28/03/27    |
| Nancy Cullen    | 200,000                   | -       | -         | -           | (100,000)        | 100,000                   | 47.4p             | 12/01/15         | 12/01/18                          | 12/01/25    |
|                 | 120,000                   | -       | -         | -           | (120,000)        | -                         | 61.0p             | 31/03/16         | 31/03/19                          | 31/03/26    |
|                 | 75,000                    | -       | -         | -           | -                | 75,000                    | 22.0p             | 28/03/17         | 28/03/20                          | 28/03/27    |
| Gregor Dunlay   | 200,000                   | -       | -         | -           | (100,000)        | 100,000                   | 47.4p             | 12/01/15         | 12/01/18                          | 12/01/25    |
|                 | 120,000                   | -       | -         | -           | (120,000)        | -                         | 61.0p             | 31/03/16         | 31/03/19                          | 31/03/26    |
|                 | 75,000                    | -       | -         | -           | -                | 75,000                    | 22.0p             | 28/03/17         | 28/03/20                          | 28/03/27    |
| <b>Total</b>    | <b>1,185,000</b>          | -       | -         | -           | <b>(660,000)</b> | <b>525,000</b>            |                   |                  |                                   |             |

All of these share options are subject to performance criteria.

Steve Curtis  
Chairman of the Remuneration Committee  
22 March 2019

## Independent Auditor's Report

### To the members of SpaceandPeople PLC

#### Opinion on the financial statements

We have audited the Group and Parent Company financial statements (the financial statements) of SpaceandPeople PLC for the period ended 31 December 2018 which comprise the following:

- Consolidated Statement of Comprehensive Income;
- Consolidated and Parent Company Statement of Financial Position;
- Consolidated and Parent Company Statement of Changes in Equity;
- Consolidated and Parent Company Cash Flow Statement; and
- The related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with the Companies Act 2006.

#### Basis for opinion

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

#### Conclusions relating going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Key audit matters

Key audit matters are those which were of most significance during the audit of the financial statements for the current period. These matters were addressed during our audit of the financial statements in their entirety and when forming our audit opinion. We do not provide a separate opinion on these matters. For each matter, we have outlined a summary of our response as auditors.

| <b>Key audit matter</b>  | <b>Description of key audit matter</b>  |
|--|---|
| Goodwill valuation   | Goodwill is subject to an annual impairment review. The valuation is dependent on the performance of the underlying entities. |
| <b>Summary of auditor's response to key audit matter</b>   |   |
| In order to gain assurance over the valuation of goodwill we:  |   |
| <ul style="list-style-type: none"> <li>▪ Examined management's impairment reviews in relation to the Retail Profile and Indian investments to ensure all assumptions and parameters are appropriate to the business and the review had been conducted in accordance with IAS 36.</li> <li>▪ Compared the value of discounted future cash flows to carrying value of Goodwill in order to quantify any impairment.</li> <li>▪ Tested the valuation model to assess the impact of changes in the assumptions used.</li> <li>▪ Checked the impairment model for arithmetic accuracy.</li> </ul> |   |
| <b>Our procedures did not reveal any material issues.</b>  |   |

| <b>Key audit matter</b>   | <b>Description of key audit matter</b>  |
|---|---|
| Revenue recognition   | <p>The UK promotion segment of the group act as an agent for, and invoices on behalf of, customers. There is the risk that third party revenues are included in turnover.</p> <p>The retail segment of the Group invoices rentals in advance. As such there is a risk that deferred income has not been appropriately calculated.</p> |
| <b>Summary of auditor's response to key audit matter</b>  |   |
| We performed the following procedures in order to gain assurance over revenue recognition:  |   |
| <ul style="list-style-type: none"> <li>▪ In relation to the promotion segment of the Group we reviewed the systems and controls in place and completed substantive testing to ensure that income represents only commissions due to the company.</li> <li>▪ We carried out substantive testing on the promotion segment of the Group to provide assurance that sums invoiced on behalf of, and that are owed to customers, are correctly recorded and disclosed in the financial statements.</li> <li>▪ We reviewed the procedures in the retail segment for identifying revenue invoiced in advance and performed substantive testing on the deferred income balance at the balance sheet date.</li> </ul> |   |
| <b>Our procedures did not identify any material issues.</b>   |   |

## **Our application of materiality and an overview of the scope of our audit**

Based on our professional judgement, we determined materiality for the Group financial statements as a whole at £100,000.

This was determined through reference to benchmarks of Group profit before tax and revenue. We reported any corrected or uncorrected misstatements greater than £5,000 to the audit committee as well as those which warranted reporting on qualitative grounds.

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at a group level.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, considering the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements

The Group operates significant components in the UK and Germany. The UK entities were subject to audit on an individual basis as well as on a group basis. The German entities were considered on a group basis. These significant components subject to audit account for 99.5% of the Group's Revenue, 100% of the Group's EBITDA, 95% of the Group's Total Assets and 93% of the Group's Equity.

The Indian subsidiary was considered to be a non-significant component and analytical procedures were performed on this component at group level. Additional audit procedures are carried out on balances or classes of transactions if considered necessary.

No component auditors were instructed with all audit work carried out by the Group audit team.

### **Other information**

The directors are responsible for the other information. The other information comprises the information in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We confirm that we have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Greig McKnight

For and on behalf of Campbell Dallas Audit Services

Titanium 1

King's Inch Place

Renfrewshire

PA4 8WF

SpaceandPeople plc

Consolidated Statement of Comprehensive Income

For the 12 months ended 31 December 2018

|   | Notes | 12 months to<br>31 December '18<br>£'000 | 12 months to<br>31 December '17<br>£'000 |
|---|-------|--|--|
| <b>Revenue</b>  | 4     | <b>7,939</b>                             | <b>9,995</b>                             |
| Cost of Sales   | 4     | (2,886)                                  | (3,389)                                  |
| <b>Gross Profit</b>   |       | <b>5,053</b>                             | <b>6,606</b>                             |
| Administration expenses   |       | (5,360)                                  | (5,640)                                  |
| Other operating income  |       | 136                                      | 210                                      |
| <b>Operating (Loss) / Profit before non-recurring costs</b>       |       | <b>(171)</b>                             | <b>1,176</b>                             |
| Non-recurring costs   | 7     | (244)                                    | -  |
| <b>Operating (Loss) / Profit</b>                                  |       | <b>(415)</b>                             | <b>1,176</b>                             |
| Finance income  |       | 7  | 12                                       |
| Finance costs   | 8     | (7)                                      | (35)                                     |
| <b>(Loss) / Profit before taxation</b>                            |       | <b>(415)</b>                             | <b>1,153</b>                             |
| Taxation  | 9     | (282)                                    | (237)                                    |
| <b>(Loss) / Profit after taxation</b>                             |       | <b>(697)</b>                             | <b>916</b>                               |
| <b>Other Comprehensive income</b>                                 |       |  |  |
| Foreign exchange differences on translation of foreign operations |       | (5)                                      | 3  |
| <b>Total comprehensive income for the period</b>                  |       | <b>(702)</b>                             | <b>919</b>                               |
| <b>(Loss) / Profit for the year attributable to:</b>              |       |  |  |
| Owners of the Company   |       | (674)                                    | 930                                      |
| Non-controlling interests   |       | (23)                                     | (14)                                     |
| <b>Total comprehensive income for the period attributable to:</b> |       | <b>(697)</b>                             | <b>916</b>                               |
| <b>Total comprehensive income for the period attributable to:</b> |       |  |  |
| Owners of the Company   |       | (679)                                    | 933                                      |
| Non-controlling interests   |       | (23)                                     | (14)                                     |
| <b>Total comprehensive income for the Period</b>                  |       | <b>(702)</b>                             | <b>919</b>                               |
| <b>(Loss) / Earnings per share</b>                                | 23    |  |  |
| Basic – Before non-recurring costs                                |       | (2.2)p                                   | 4.8p                                     |
| Basic – After non-recurring costs                                 |       | (3.5)p                                   | 4.8p                                     |
| Diluted – Before non-recurring costs                              |       | (2.2)p                                   | 4.3p                                     |
| Diluted – After non-recurring costs                               |       | (3.5)p                                   | 4.3p                                     |



SpaceandPeople plc

Consolidated Statement of Financial Position

At 31 December 2018

Company number SC212277

|   | Notes | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---|-------|--------------------------|--------------------------|
| <b>Assets</b>                                       |       |                          |                          |
| <b>Non-current assets:</b>                          |       |                          |                          |
| Goodwill  | 12    | 7,981                    | 8,225                    |
| Other intangible assets                             | 13    | 4                        | 15                       |
| Property, plant & equipment                         | 14    | 849                      | 1,147                    |
|   |       | <b>8,834</b>             | <b>9,387</b>             |
| <b>Current assets:</b>                              |       |                          |                          |
| Trade & other receivables                           | 16    | 3,553                    | 3,367                    |
| Cash & cash equivalents                             | 17    | 843                      | 2,661                    |
|   |       | <b>4,396</b>             | <b>6,028</b>             |
| <b>Total assets</b>                                 |       | <b>13,230</b>            | <b>15,415</b>            |
| <b>Liabilities</b>                                  |       |                          |                          |
| <b>Current liabilities:</b>                         |       |                          |                          |
| Trade & other payables                              | 18    | 3,677                    | 5,120                    |
| Current tax payable                                 | 18    | 197                      | (46)                     |
|   |       | <b>3,874</b>             | <b>5,074</b>             |
| <b>Non-current liabilities:</b>                     |       |                          |                          |
| Deferred tax liabilities                            | 15    | 101                      | 91                       |
|   |       | <b>101</b>               | <b>91</b>                |
| <b>Total liabilities</b>                            |       | <b>3,975</b>             | <b>5,165</b>             |
| <b>Net assets</b>                                   |       | <b>9,255</b>             | <b>10,250</b>            |
| <b>Equity</b>                                       |       |                          |                          |
| Share capital                                       | 21    | 195                      | 195                      |
| Share premium                                       |       | 4,868                    | 4,868                    |
| Special reserve                                     |       | 233                      | 233                      |
| Retained earnings                                   |       | 3,726                    | 4,698                    |
| <b>Equity attributable to owners of the Company</b> |       | <b>9,022</b>             | <b>9,994</b>             |
| Non-controlling interest                            |       | 233                      | 256                      |
| <b>Total equity</b>                                 |       | <b>9,255</b>             | <b>10,250</b>            |

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2019.

Signed on behalf of the Board of Directors by:

M J Bending – Director

SpaceandPeople plc

Consolidated Statement of Cash Flows

For the 12 months ended 31 December 2018

|  | Notes | 12 months to<br>31 December '18<br>£'000 | 12 months to<br>31 December '17<br>£'000 |
|--|-------|--|--|
| <b>Cash flows from operating activities</b>  |       |  |  |
| Cash generated from operations   |       | (1,389)                                  | 2,559                                    |
| Interest received  |       | 7  | 12                                       |
| Interest paid  | 8     | (7)                                      | (35)                                     |
| Taxation   |       | (29)                                     | (136)                                    |
| <b>Net cash inflow from operating activities</b>                                     |       | <b>(1,418)</b>                           | <b>2,400</b>                             |
| <b>Cash flows from investing activities</b>  |       |  |  |
| Purchase of intangible assets  | 13    | -  | (12)                                     |
| Purchase of property, plant & equipment  | 14    | (107)                                    | (111)                                    |
| <b>Net cash outflow from investing activities</b>                                    |       | <b>(107)</b>                             | <b>(123)</b>                             |
| <b>Cash flows from financing activities</b>  |       |  |  |
| Bank facility repaid   |       | -  | (1,200)                                  |
| Dividends paid   | 11    | (293)                                    | -  |
| <b>Net cash (outflow) from financing activities</b>                                  |       | <b>(293)</b>                             | <b>(1,200)</b>                           |
| <b>(Decrease) / Increase in cash and cash equivalents</b>                            |       | <b>(1,818)</b>                           | <b>1,077</b>                             |
| Cash and cash equivalents at beginning of period                                     |       | 2,661                                    | 1,584                                    |
| <b>Cash and cash equivalents at end of period</b>                                    | 17    | <b>843</b>                               | <b>2,661</b>                             |
| <b>Reconciliation of operating profit to net cash flow from operating activities</b> |       |  |  |
| Operating (loss) / profit  |       | (415)                                    | 1,176                                    |
| Write off of goodwill  | 12    | 244                                      | -  |
| Amortisation of intangible assets  | 13    | 11                                       | 18                                       |
| Depreciation of property, plant & equipment  | 14    | 405                                      | 522                                      |
| Effect of foreign exchange rate moves  |       | (5)                                      | 6  |
| (Increase) in receivables  |       | (186)                                    | (17)                                     |
| (Decrease) / Increase in payables  |       | (1,443)                                  | 854                                      |
| <b>Cash flow from operating activities</b>   |       | <b>(1,389)</b>                           | <b>2,559</b>                             |

SpaceandPeople plc

Consolidated Statement of Changes in Equity

For the 12 months ended 31 December 2018

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Special<br>reserve<br>£'000 | Retained<br>Earnings<br>£'000 | Non-<br>controlling<br>interest<br>£'000 | Total<br>equity<br>£'000 |
|---|---------------------------|---------------------------|-----------------------------|-------------------------------|--|--------------------------|
| <b>At 31 December 2016</b>                | <b>195</b>                | <b>4,868</b>              | <b>233</b>                  | <b>3,762</b>                  | <b>270</b>                               | <b>9,328</b>             |
| <b>Comprehensive<br/>income:</b>          |                           |                           |                             |                               |  |                          |
| Foreign currency<br>Translation           | -                         | -                         | -                           | 3                             | -  | 3                        |
| Profit for the period                     | -                         | -                         | -                           | 933                           | (14)                                     | 919                      |
| <b>Total comprehensive<br/>Income</b>     | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>936</b>                    | <b>(14)</b>                              | <b>922</b>               |
| <b>Transactions with<br/>owners:</b>      |                           |                           |                             |                               |  |                          |
| Dividends paid                            | -                         | -                         | -                           | -                             | -  | -                        |
| <b>Total transactions with<br/>Owners</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>-</b>                      | <b>-</b>                                 | <b>-</b>                 |
| <b>At 31 December 2017</b>                | <b>195</b>                | <b>4,868</b>              | <b>233</b>                  | <b>4,698</b>                  | <b>256</b>                               | <b>10,250</b>            |
| <b>Comprehensive<br/>income:</b>          |                           |                           |                             |                               |  |                          |
| Foreign currency<br>Translation           | -                         | -                         | -                           | (5)                           | -  | (5)                      |
| (Loss) for the period                     | -                         | -                         | -                           | (674)                         | (23)                                     | (697)                    |
| <b>Total comprehensive<br/>Income</b>     | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>(679)</b>                  | <b>(23)</b>                              | <b>(702)</b>             |
| <b>Transactions with<br/>owners:</b>      |                           |                           |                             |                               |  |                          |
| Dividends paid                            | -                         | -                         | -                           | (293)                         | -  | (293)                    |
| <b>Total transactions with<br/>Owners</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>(293)</b>                  | <b>-</b>                                 | <b>(293)</b>             |
| <b>At 31 December 2018</b>                | <b>195</b>                | <b>4,868</b>              | <b>233</b>                  | <b>3,726</b>                  | <b>233</b>                               | <b>9,255</b>             |

SpaceandPeople plc

Notes to the Financial Statements

For the 12 months ended 31 December 2018

**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 2018 and for the comparative period ended 31 December 2017 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**

| <u>Title</u>                                    | <u>Implementation</u>                               | <u>Effect on Group</u> |
|---|---|------------------------|
| 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 | No material impact     |

**The following standard will be introduced in future periods**

| <u>Title</u>       | <u>Implementation</u>                               | <u>Effect on Group</u>  |
|--------------------|---|---|
| IFRS 16 – “Leases” | Annual periods beginning on or after 1 January 2019 | Management believe that the Group will need to recognise a right of use asset and a lease liability for the office buildings and motor vehicles currently treated as operating leases. At 31 December 2018 the future minimum lease payments amounted to £383k. The new standard will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense. |

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.

#### 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 cost of sales.

### 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   |
| 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.

| <u>Segment revenues and results for 12 months to 31 December '18</u> | Promotion UK<br>£'000 | Promotion Germany<br>£'000 | Retail UK<br>£'000 | Retail Germany<br>£'000 | Head Office<br>£'000 | Other<br>£'000 | Group<br>£'000 |
|--|-----------------------|----------------------------|--------------------|-------------------------|----------------------|----------------|----------------|
| <b>Continuing operations Revenue</b>                                 | <b>3,238</b>          | <b>369</b>                 | <b>3,062</b>       | <b>1,236</b>            | -                    | <b>34</b>      | <b>7,939</b>   |
| Cost of sales  | -                     | -                          | (2,252)            | (634)                   | -                    | -              | (2,886)        |
| Administrative expenses  | (2,609)               | (582)                      | (316)              | (934)                   | (830)                | (89)           | (5,360)        |
| Other revenue  | -                     | 60                         | -                  | 76                      | -                    | -              | 136            |
| Non-recurring costs  | (244)                 | -                          | -                  | -                       | -                    | -              | (244)          |
| <b>Segment operating profit / (loss)</b>                             | <b>385</b>            | <b>(153)</b>               | <b>494</b>         | <b>(256)</b>            | <b>(830)</b>         | <b>(55)</b>    | <b>(415)</b>   |
| Finance income   | -                     | -                          | -                  | -                       | -                    | 7              | 7              |
| Finance costs  | (7)                   | -                          | -                  | -                       | -                    | -              | (7)            |
| <b>Segment profit / (loss) before taxation</b>                       | <b>378</b>            | <b>(153)</b>               | <b>494</b>         | <b>(256)</b>            | <b>(830)</b>         | <b>(48)</b>    | <b>(415)</b>   |
| <u>Segment assets and liabilities as at 31 December '18</u>          | Promotion UK<br>£'000 | Promotion Germany<br>£'000 | Retail UK<br>£'000 | Retail Germany<br>£'000 | Other<br>£'000       | Group<br>£'000 |                |
| Total segment assets   | 6,819                 | 469                        | 4,676              | 599                     | 667                  | 13,230         |                |
| Total segment liabilities  | (2,064)               | (495)                      | (1,051)            | (316)                   | (49)                 | (3,975)        |                |
| <b>Total net assets</b>  | <b>4,755</b>          | <b>(26)</b>                | <b>3,625</b>       | <b>283</b>              | <b>618</b>           | <b>9,255</b>   |                |



| <u>Segment revenues and results for 12 months to 31 December '17</u> | Promotion UK<br>£'000 | Promotion Germany<br>£'000 | Retail UK<br>£'000 | Retail Germany<br>£'000 | Head Office<br>£'000 | Other<br>£'000 | Group<br>£'000 |
|--|-----------------------|----------------------------|--------------------|-------------------------|----------------------|----------------|----------------|
| <b>Continuing operations revenue</b>                                 | <b>3,695</b>          | <b>807</b>                 | <b>3,438</b>       | <b>1,993</b>            | -                    | <b>62</b>      | <b>9,995</b>   |
| 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            |
| <b>Segment operating profit / (loss)</b>                             | <b>1,985</b>          | <b>(19)</b>                | <b>401</b>         | <b>163</b>              | <b>(1,307)</b>       | <b>(47)</b>    | <b>1,176</b>   |
| Finance income   | -                     | -                          | -                  | -                       | -                    | 12             | 12             |
| Finance costs  | (35)                  | -                          | -                  | -                       | -                    | -              | (35)           |
| <b>Segment profit / (loss) before taxation</b>                       | <b>1,950</b>          | <b>(19)</b>                | <b>401</b>         | <b>163</b>              | <b>(1,307)</b>       | <b>(35)</b>    | <b>1,153</b>   |
| <u>Segment assets and liabilities as at 31 December '17</u>          | Promotion UK<br>£'000 | Promotion Germany<br>£'000 | Retail UK<br>£'000 | Retail Germany<br>£'000 | Other<br>£'000       | Group<br>£'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)        |                |
| <b>Total net assets</b>  | <b>4,604</b>          | <b>232</b>                 | <b>4,050</b>       | <b>694</b>              | <b>670</b>           | <b>10,250</b>  |                |

## 5. Operating (loss) / profit

The operating (loss) / profit is stated after charging:

|   | 12 months to<br>December '18<br>£'000 | 12 months to<br>December '17<br>£'000 |
|---|---------------------------------------|---------------------------------------|
| Motor vehicle leasing                         | 56                                    | 78                                    |
| Property leases                               | 240                                   | 347                                   |
| Amortisation of intangible assets             | 11                                    | 18                                    |
| Depreciation of property, plant and equipment | 405                                   | 532                                   |
|   | <b>712</b>                            | <b>975</b>                            |
| Auditor's remuneration:                       |                                       |                                       |
| Fees payable for:                             |                                       |                                       |
| Audit of Company                              | 25                                    | 22                                    |
| Audit of subsidiary undertakings              | 19                                    | 19                                    |
| Tax services                                  | 4                                     | 8                                     |
| Other services                                | 25                                    | 1                                     |
|   | <b>73</b>                             | <b>50</b>                             |
| Directors' remuneration                       | <b>532</b>                            | <b>741</b>                            |

## 6. Staff costs

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

|                         | 12 months to<br>December '18 | 12 months to<br>December '17 |
|-------------------------|------------------------------|------------------------------|
| Executive Directors     | 3                            | 3                            |
| Non-executive Directors | 3                            | 3                            |
| Administration          | 27                           | 32                           |
| Telesales               | 40                           | 42                           |
| Commercial              | 12                           | 10                           |
| Maintenance             | 7                            | 9                            |
|                         | <b>92</b>                    | <b>99</b>                    |

  

|                       | 12 months to<br>December '18<br>£'000 | 12 months to<br>December '17<br>£'000 |
|-----------------------|---------------------------------------|---------------------------------------|
| Wages and salaries    | 3,212                                 | 3,782                                 |
| Social Security costs | 440                                   | 425                                   |
| Pensions              | 208                                   | 189                                   |
|                       | <b>3,860</b>                          | <b>4,396</b>                          |

Details of Directors' emoluments, including details of share option schemes, are given in the remuneration report on pages 17 to 18. These disclosures form part of the audited financial statements of the Group.

## 7. Non-recurring costs

During the period, the Group took the decision to write off £244k, being the carrying value of the goodwill relating to SpaceandPeople India Pvt Ltd as the level of profitability in that company no longer supported the valuation. (2017: nil).

## 8. Finance income and costs

|                     | 12 months to<br>December '18<br>£'000 | 12 months to<br>December '17<br>£'000 |
|---------------------|---------------------------------------|---------------------------------------|
| Finance income:     |                                       |                                       |
| Interest receivable | 7                                     | 12                                    |
| Finance costs:      |                                       |                                       |
| Interest payable    | (7)                                   | (35)                                  |

## 9. Taxation

|   | 12 months to<br>December '18<br>£'000 | 12 months to<br>December '17<br>£'000 |
|---|---------------------------------------|---------------------------------------|
| <b>Current tax expense:</b>                                   |                                       |                                       |
| Current tax on profits for the year                           | 84                                    | 243                                   |
| Adjustment for under / (over) provision in prior periods      | 13                                    | (1)                                   |
| <b>Total current tax</b>                                      | <u>97</u>                             | <u>242</u>                            |
| <b>Foreign tax:</b>   |                                       |                                       |
| Current tax on foreign income for the period                  | -                                     | 52                                    |
| Adjustment for under / (over) provision in prior periods      | 175                                   | (57)                                  |
| <b>Total foreign tax</b>                                      | <u>175</u>                            | <u>(5)</u>                            |
| <b>Deferred tax:</b>  |                                       |                                       |
| Charge in respect of temporary timing differences             | 10                                    | -                                     |
| <b>Total deferred tax</b>                                     | <u>10</u>                             | <u>-</u>                              |
| <b>Income tax expense as reported in the Income Statement</b> | <u><b>282</b></u>                     | <u><b>237</b></u>                     |

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<br>December '18<br>£'000 | 12 months to<br>December '17<br>£'000 |
|--|---------------------------------------|---------------------------------------|
| (Loss) / profit on ordinary activities before tax  | <u>(415)</u>                          | <u>1,153</u>                          |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2016: 20%) |                                       |                                       |
| Jan – Mar 2017: 20%  | -                                     | 57                                    |
| Apr – Dec 2017: 19%  | -                                     | 165                                   |
| Jan – Dec 2018: 19%  | (79)                                  | -                                     |
| Tax effect of:   |                                       |                                       |
| - Prior period adjustment  | 188                                   | (57)                                  |
| - Difference due to foreign taxation rates   | -                                     | 18                                    |
| - Tax losses   | -                                     | 4                                     |
| - Disallowable items   | 173                                   | 50                                    |
| <b>Income tax expense as reported in the Income Statement</b>                                      | <u><b>282</b></u>                     | <u><b>237</b></u>                     |

## 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 loss after tax and before dividends of £478k after the incorporation of all UK head office costs (2017 profit: £570k) which is dealt with in the financial statements of the parent Company.

## 11. Dividends

|                            | 12 months to<br>December '18<br>£'000 | 12 months to<br>December '17<br>£'000 |
|----------------------------|---------------------------------------|---------------------------------------|
| Paid during the period     | 293                                   | -                                     |
| Recommended final dividend | 98                                    | 293                                   |

Equity – A final dividend of 0.50p per ordinary share is recommended for 2018 (2017: 1.50p).

## 12. Goodwill

| <b>Cost</b>                          | £'000               |
|--------------------------------------|---------------------|
| At 31 December 2016                  | 8,225               |
| Additions                            | -                   |
| At 31 December 2017                  | <u>8,225</u>        |
| Additions                            | -                   |
| At 31 December 2018                  | <u><b>8,225</b></u> |
| <b>Accumulated impairment losses</b> |                     |
| At 31 December 2016                  | -                   |
| Charge for the period                | -                   |
| At 31 December 2017                  | -                   |
| Charge for the period                | 244                 |
| At 31 December 2018                  | <u><b>244</b></u>   |
| <b>Net book value</b>                |                     |
| At 31 December 2016                  | <u>8,225</u>        |
| At 31 December 2017                  | <u>8,225</u>        |
| <b>At 31 December 2018</b>           | <u><b>7,981</b></u> |

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. During 2018 it was decided that the value of the goodwill in SpaceandPeople India Pvt Limited of £244,000 should be impaired in full. Goodwill for the UK Retail sub group remains unchanged at £7,981,000.

The recoverable amount of the cash generating unit was determined based on value-in-use calculations, covering a detailed forecast, followed by an extrapolation of expected cash flows based on the targeted and expected growth rate over the next five years followed by a terminal factor determined by management.

The present value of the future cash flows is then calculated using a discount rate of 6.6%. This discount rates include appropriate adjustments to reflect, in the directors judgement, the market risk and specific risk of the GGU.

The growth rate utilised in calculation of the terminal factor is based on expected inflationary growth in the UK beyond the period of forecasting. The growth rate used was 1.5%.

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 particularly in relation to the pipeline of new business opportunities. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each CGU.

The estimate of recoverable amount for the CGU is sensitive to the discount rate, the cash flow projections and the growth rate.

If the discount rate used is increased beyond 8.4%, for each further movement of 1% an impairment loss of £1.2 million would have to be recognised and written off against goodwill.

If the cash flow projection used is decreased beyond 30%, for each further movement of 1% an impairment loss of £0.1 million would have to be recognised and written off against goodwill.

### 13. Other intangible assets

| <b>Cost</b>         | Website<br>development<br>£'000 | Product<br>development<br>£'000 | Patents &<br>trademarks<br>£'000 | Total<br>£'000 |
|---------------------|---------------------------------|---------------------------------|----------------------------------|----------------|
| At 31 December 2016 | 284                             | 137                             | 103                              | 524            |
| Additions           | -                               | -                               | 12                               | 12             |
| At 31 December 2017 | 284                             | 137                             | 115                              | 536            |
| Additions           | -                               | -                               | -                                | -              |
| At 31 December 2018 | <b>284</b>                      | <b>137</b>                      | <b>115</b>                       | <b>536</b>     |

  

| <b>Amortisation</b>   | Website<br>Development<br>£'000 | Product<br>development<br>£'000 | Patents &<br>Trademarks<br>£'000 | Total<br>£'000 |
|-----------------------|---------------------------------|---------------------------------|----------------------------------|----------------|
| At 31 December 2016   | 284                             | 137                             | 82                               | 503            |
| Charge for the period | -                               | -                               | 18                               | 18             |
| At 31 December 2017   | 284                             | 137                             | 100                              | 521            |
| Charge for the period | -                               | -                               | 11                               | 11             |
| At 31 December 2018   | <b>284</b>                      | <b>137</b>                      | <b>111</b>                       | <b>532</b>     |

  

| <b>Net book value</b>      | Website<br>development<br>£'000 | Product<br>Development<br>£'000 | Patents &<br>Trademarks<br>£'000 | Total<br>£'000 |
|----------------------------|---------------------------------|---------------------------------|----------------------------------|----------------|
| At 31 December 2016        | -                               | -                               | 21                               | 21             |
| At 31 December 2017        | -                               | -                               | 15                               | 15             |
| <b>At 31 December 2018</b> | <b>-</b>                        | <b>-</b>                        | <b>4</b>                         | <b>4</b>       |

#### 14. Property, plant and equipment

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

| <b>Cost</b>         | Plant & equipment<br>£'000 | Fixture & fittings<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
|---------------------|----------------------------|-----------------------------|-----------------------------|----------------|
| 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          |
| Additions           | 6                          | 9                           | 92                          | 107            |
| At 31 December 2018 | <b>3,054</b>               | <b>286</b>                  | <b>766</b>                  | <b>4,106</b>   |

  

| <b>Depreciation</b>   | Plant & Equipment<br>£'000 | Fixture & Fittings<br>£'000 | Computer Equipment<br>£'000 | Total<br>£'000 |
|-----------------------|----------------------------|-----------------------------|-----------------------------|----------------|
| 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          |
| Charge for the period | 292                        | 10                          | 103                         | 405            |
| At 31 December 2018   | <b>2,353</b>               | <b>263</b>                  | <b>641</b>                  | <b>3,257</b>   |

  

| <b>Net book value</b> | Plant & equipment<br>£'000 | Fixture & Fittings<br>£'000 | Computer Equipment<br>£'000 | Total<br>£'000 |
|-----------------------|----------------------------|-----------------------------|-----------------------------|----------------|
| At 31 December 2016   | 1,397                      | 25                          | 136                         | 1,558          |
| At 31 December 2017   | 987                        | 24                          | 136                         | 1,147          |
| At 31 December 2018   | <b>701</b>                 | <b>23</b>                   | <b>125</b>                  | <b>849</b>     |

#### 15. Deferred tax

|  | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|--|--------------------------|--------------------------|
| <b>Deferred tax liability:</b>   |                          |                          |
| Deferred tax liability to be recognised after more than 12 months                  | 101                      | 91                       |
| <b>Deferred tax assets:</b>  |                          |                          |
| Deferred tax asset to be recognised after less than 12 months                      | -                        | -                        |
| <b>Deferred tax liability (net)</b>  | <b>101</b>               | <b>91</b>                |
| At 1 January 2018  | 91                       | 90                       |
| Debit / (Credit) in respect of losses  | -                        | -                        |
| Charge in respect of temporary timing differences on property, plant and equipment | 10                       | 1                        |
| At 31 December 2018  | <b>101</b>               | <b>91</b>                |

## 16. Trade and other receivables

|   | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---|--------------------------|--------------------------|
| Trade debtors   | 2,700                    | 2,626                    |
| Other debtors   | 476                      | 458                      |
| Prepayments   | 377                      | 283                      |
| <b>Total</b>  | <b>3,553</b>             | <b>3,367</b>             |
| Amounts falling due after more than<br>one year included above are: | 412                      | 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 2018, trade receivables of £881k (2017: £784k) were past due but not impaired.

The ageing of trade debtors:

|                 | Current<br>£'000 | 0 – 30 Days<br>£'000 | 31 – 60 Days<br>£'000 | 61 Days +<br>£'000 | Total<br>£'000 |
|-----------------|------------------|----------------------|-----------------------|--------------------|----------------|
| 31 December '18 | 1,754            | 359                  | 177                   | 410                | 2,700          |
| 31 December '17 | 1,842            | 277                  | 244                   | 263                | 2,626          |

## 17. Cash and cash equivalents

|                          | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|--------------------------|--------------------------|--------------------------|
| Cash at bank and on hand | 843                      | 2,661                    |
|                          | <b>843</b>               | <b>2,661</b>             |

## 18. Trade and other payables

|                                 | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---------------------------------|--------------------------|--------------------------|
| Trade creditors                 | 442                      | 568                      |
| Other creditors                 | 1,285                    | 1,767                    |
| Social Security and other taxes | 240                      | 489                      |
| Accrued expenses                | 1,343                    | 2,003                    |
| Deferred income                 | 367                      | 293                      |
| <b>Trade and other payables</b> | <b>3,677</b>             | <b>5,120</b>             |
| Corporation tax                 | 197                      | (46)                     |
| <b>Total</b>                    | <b>3,874</b>             | <b>5,074</b>             |

All trade and other payables are short term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

## 19. 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 2019.

**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 a 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 £1 million, 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.

## 20. Operating lease commitments

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

|                                 | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---------------------------------|--------------------------|--------------------------|
| Within 1 year                   | 256                      | 357                      |
| Between 2 and 5 years inclusive | 127                      | 358                      |

## 21. Called up share capital

| Allotted, issued and fully paid<br>Class | Nominal value | 31 December '18   | 31 December '17 |
|--|---------------|-------------------|-----------------|
| Ordinary                                 | 1p            | £ 195,196         | 195,196         |
|  |               | Number 19,519,563 | 19,519,563      |



## 22. 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 on pages 17 to 18.

## 23. Earnings per share

|  | 12 months to<br>31 December '18<br>Pence per share | 12 months to<br>31 December '17<br>Pence per share |
|--|--|--|
| <b>Basic (loss) / earnings per share</b>   |  |  |
| Before non-recurring costs                 | (2.2)p   | 4.8p   |
| After non-recurring costs                  | (3.5)p   | 4.8p   |
| <b>Diluted (loss) / earnings per share</b> |  |  |
| Before non-recurring costs                 | (2.2)p   | 4.3p   |
| After non-recurring costs                  | (3.5)p   | 4.3p   |

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<br>31 December '18<br>£'000 | 12 months to<br>31 December '17<br>£'000 |
|---|--|--|
| (Loss) / profit after tax for the period attributable to owners of the Company                            | (679)                                    | 933                                      |
| Non-recurring items   | 244                                      | -  |
| (Loss) / profit after tax for the period before non-recurring costs attributable to owners of the company | (435)                                    | 933                                      |

  

|   | 12 months to<br>31 December '18<br>'000 | 12 months to<br>31 December '17<br>'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<br>31 December '18<br>£'000 | 12 months to<br>31 December '17<br>£'000 |
|---|--|--|
| (Loss) / profit after tax for the period attributable to owners of the Company                            | (679)                                    | 933                                      |
| Non-recurring items   | 244                                      | -  |
| (Loss) / profit after tax for the period before non-recurring costs attributable to owners of the company | (435)                                    | 933                                      |
|   | 12 months to<br>31 December '18<br>'000  | 12 months to<br>31 December '17<br>'000  |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share                 | 21,548                                   | 21,840                                   |

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<br>31 December '18<br>'000 | 12 months to<br>31 December '17<br>'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 | 2,028                                   | 2,320                                  |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share   | 21,548                                  | 21,840                                 |

As set out in notes 24 and 25, there are share options and a SAYE scheme outstanding as at 31 December 2018 which, if exercised, would increase the number of shares in issue. However, the diluted loss per share is the same as the basic loss per share, as the loss for the year has an anti-dilutive effect.

## 24. 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 769,325 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 | 419,325 | 12 January 2018 – 12 January 2025 | 47.4p |
| 27 March 2017   | 350,000 | 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<br>31 December '18 | 12 months to<br>31 December '17 |
|---|---------------------------------|---------------------------------|
| Number of options outstanding as at the beginning of the period | 1,885,522                       | 1,557,235                       |
| Granted   | -                               | 400,000                         |
| Lapsed  | (1,016,197)                     | -                               |
| Forfeited   | (100,000)                       | (71,713)                        |
| Number of options outstanding as at the end of the period       | 769,325                         | 1,885,522                       |

In total, 769,325 options were outstanding at 31 December 2018 (1,885,522 at 31 December 2017) with a weighted average exercise price of 35.8p (46.7p at 31 December 2017).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payments, was £nil (2017: £8,400).

## 25. Save As You Earn Scheme

The Group has a Save As You Earn ("SAYE") scheme that all UK based employees are entitled to participate in. The scheme runs for three years 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.

Share options have been granted under the SAYE scheme over 376,604 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 |
|---------------|---------|--------------------------------|-------|
| 18 May 2017   | 376,604 | 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<br>31 December '18 | 12 months to<br>31 December '17 |
|---|---------------------------------|---------------------------------|
| Number of options outstanding as at the beginning of the period | 675,200                         | 147,284                         |
| Granted   | -                               | 688,783                         |
| Lapsed  | (21,677)                        |                                 |
| Forfeited   | (276,919)                       | (160,867)                       |
| Number of options outstanding as at the end of the period       | <u>376,604</u>                  | <u>675,200</u>                  |

In total, 376,604 options were outstanding at 31 December 2018 (675,200 at 31 December 2017) with an average exercise price of 19.5p (20.5p at 31 December 2017).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payments, was £nil (2017: £42,016).

SpaceandPeople plc

Company Statement of Financial Position

At 31 December 2018

Company number SC212277

|                                 | Notes | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---------------------------------|-------|--------------------------|--------------------------|
| <b>Assets</b>                   |       |                          |                          |
| <b>Non-current assets:</b>      |       |                          |                          |
| Investment in subsidiaries      | 4     | 5,139                    | 5,427                    |
| Loan notes                      | 4     | 1,728                    | 1,728                    |
| Other intangible assets         | 5     | 4                        | 15                       |
| Property, plant & equipment     | 6     | 529                      | 612                      |
|                                 |       | <b>7,400</b>             | <b>7,782</b>             |
| <b>Current assets:</b>          |       |                          |                          |
| Trade & other receivables       | 8     | 2,499                    | 2,506                    |
| Cash & cash equivalents         | 9     | 401                      | 1,017                    |
|                                 |       | <b>2,900</b>             | <b>3,523</b>             |
| <b>Total assets</b>             |       | <b>10,300</b>            | <b>11,305</b>            |
| <b>Liabilities</b>              |       |                          |                          |
| <b>Current liabilities:</b>     |       |                          |                          |
| Trade & other payables          | 10    | 4,644                    | 4,755                    |
| Current tax payable             | 10    | (37)                     | 54                       |
| Other borrowings                | 11    | -                        | -                        |
|                                 |       | <b>4,607</b>             | <b>4,809</b>             |
| <b>Non-current liabilities:</b> |       |                          |                          |
| Long-term loan                  | 11    | -                        | -                        |
| Deferred tax                    | 7     | 59                       | 91                       |
| <b>Total liabilities</b>        |       | <b>4,666</b>             | <b>4,900</b>             |
| <b>Net assets</b>               |       | <b>5,634</b>             | <b>6,405</b>             |
| <b>Equity</b>                   |       |                          |                          |
| Share capital                   | 13    | 195                      | 195                      |
| Share premium                   |       | 4,868                    | 4,868                    |
| Special reserve                 |       | 233                      | 233                      |
| Retained earnings               |       | 338                      | 1,109                    |
| <b>Shareholders' equity</b>     |       | <b>5,634</b>             | <b>6,405</b>             |

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2019.

Signed on behalf of the Board of Directors by:

M J Bending – Director

SpaceandPeople plc

Company Statement of Cash Flows

For the 12 months ended 31 December 2018

|  | Notes    | 12 months to<br>31 December '18<br>£'000 | 12 months to<br>31 December '17<br>£'000 |
|--|----------|--|--|
| <b>Cash flows from operating activities</b>  |          |  |  |
| Cash generated from operations   |          | (125)                                    | 1,901                                    |
| Interest paid  |          | (7)                                      | (35)                                     |
| Taxation   |          | (95)                                     | (138)                                    |
| <b>Net cash inflow from operating activities</b>                                     |          | <b>(227)</b>                             | <b>1,728</b>                             |
| <b>Cash flows from investing activities</b>  |          |  |  |
| Purchase of intangible assets  | 5        | -  | (12)                                     |
| Purchase of property, plant & equipment  | 6        | (96)                                     | (92)                                     |
| <b>Net cash (outflow) from investing activities</b>                                  |          | <b>(96)</b>                              | <b>(104)</b>                             |
| <b>Cash flows from financing activities</b>  |          |  |  |
| Bank loan (repaid) / drawn down in year  | 11       | -  | (1,200)                                  |
| Dividends paid   |          | (293)                                    | -  |
| <b>Net cash (outflow) from financing activities</b>                                  |          | <b>(293)</b>                             | <b>(1,200)</b>                           |
| <b>Decrease in cash and cash equivalents</b>   |          | <b>(616)</b>                             | <b>424</b>                               |
| Cash and cash equivalents at beginning of period                                     |          | 1,017                                    | 593                                      |
| <b>Cash and cash equivalents at end of period</b>                                    | <b>9</b> | <b>401</b>                               | <b>1,017</b>                             |
| <b>Reconciliation of operating profit to net cash flow from operating activities</b> |          |  |  |
| Operating (loss)/profit  |          | (455)                                    | 762                                      |
| Write off of goodwill  |          | 244                                      | -  |
| Amortisation of intangible assets  | 5        | 11                                       | 18                                       |
| Depreciation of property, plant & equipment  | 6        | 179                                      | 170                                      |
| Decrease / (increase) in receivables   | 8        | 7  | (102)                                    |
| (Decrease) / increase in payables  | 10       | (111)                                    | 1,053                                    |
| <b>Cash flow from operating activities</b>   |          | <b>(125)</b>                             | <b>1,901</b>                             |

SpaceandPeople plc

Company Statement of Changes in Equity

For the 12 months ended 31 December 2018

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Special<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|---|---------------------------|---------------------------|-----------------------------|-------------------------------|--------------------------|
| <b>At 31 December 2016</b>                | <b>195</b>                | <b>4,868</b>              | <b>233</b>                  | <b>538</b>                    | <b>5,834</b>             |
| <b>Comprehensive income:</b>              |                           |                           |                             |                               |                          |
| Profit for the period                     | -                         | -                         | -                           | 571                           | 571                      |
| <b>Total comprehensive<br/>income</b>     | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>571</b>                    | <b>571</b>               |
| <b>Transactions with owners:</b>          |                           |                           |                             |                               |                          |
| Dividends paid                            | -                         | -                         | -                           | -                             | -                        |
| <b>Total transactions with<br/>Owners</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>-</b>                      | <b>-</b>                 |
| <b>At 31 December 2017</b>                | <b>195</b>                | <b>4,868</b>              | <b>233</b>                  | <b>1,109</b>                  | <b>6,405</b>             |
| <b>Comprehensive income:</b>              |                           |                           |                             |                               |                          |
| Loss for the period                       | -                         | -                         | -                           | (478)                         | (478)                    |
| <b>Total comprehensive<br/>Income</b>     | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>(478)</b>                  | <b>(478)</b>             |
| <b>Transactions with owners:</b>          |                           |                           |                             |                               |                          |
| Dividends paid                            | -                         | -                         | -                           | (293)                         | (293)                    |
| <b>Total transactions with<br/>Owners</b> | <b>-</b>                  | <b>-</b>                  | <b>-</b>                    | <b>(293)</b>                  | <b>(293)</b>             |
| <b>At 31 December 2018</b>                | <b>195</b>                | <b>4,868</b>              | <b>233</b>                  | <b>338</b>                    | <b>5,634</b>             |

SpaceandPeople plc

Notes to the Company Financial Statements

For the 12 months ended 31 December 2018

**1. General information and basis of preparation**

SpaceandPeople plc is a company incorporated in the United Kingdom and is the parent company of the SpaceandPeople Group.

The Company's financial statements for the period ended 31 December 2018 and for the comparative period ended 31 December 2017 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.

For details of accounting policies used, reference is made to note 2 in the Group Annual Report. Overall the accounting principles in the Group accounts are the accounting principles used in the Company's annual accounts. Any variations in principal are described below.

**2. Accounting policies**

**Investments in subsidiaries**

The Company's investments in subsidiary undertakings are included in the 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. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when any specific delivery criteria have been met.

**Commission**

Revenue from commission 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

**3. 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 loss after tax and before dividends of £478k after the incorporation of all UK head office costs (2017: profit £570k) which is dealt with in the financial statements of the parent Company.



#### 4. Investment in subsidiaries

The Company movement in investment in subsidiaries was:

| <b>Cost and net book value</b> | <b>£'000</b>        |
|--------------------------------|---------------------|
| As at 31 December 2016         | 7,155               |
| Additions                      | -                   |
| As at 31 December 2017         | <u>7,155</u>        |
| Additions                      | -                   |
| Impairment                     | <u>(288)</u>        |
| <b>As at 31 December 2018</b>  | <b><u>6,867</u></b> |

Included in the cost of investments is £1.728m worth of loan notes taken on as part of the acquisition of Retail Profile Holdings Limited in 2010.

In the opinion of the Directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which it is stated in the Company statement of financial position.

**Fixed asset investments of the Company (or subsidiary undertaking where indicated \*) include the following:**

| <u>Name of subsidiary</u>       | <u>Principal activity</u>          | <u>Place of incorporation and operation</u> | <u>Proportion of ownership interest and voting power held by the Company</u> |                 |
|---------------------------------|------------------------------------|---|--|-----------------|
|                                 |                                    |   | 31 December '18  | 31 December '17 |
| MacPherson & Valentine Limited  | Licensing of intellectual property | United Kingdom                              | 100%   | 100%            |
| SpaceandPeople GmbH             | Media                              | Germany                                     | 100%   | 100%            |
| Retail Profile Holdings Limited | Holding Company                    | United Kingdom                              | 100%   | 100%            |
| * POP Retail Limited            | Leasing of RMUs                    | United Kingdom                              | 100%   | 100%            |
| * Retail Products Limited       | Dormant                            | United Kingdom                              | 100%   | 100%            |
| * Retail Profile GmbH           | Leasing of RMUs                    | Germany                                     | 100%   | 100%            |
| * Retail Profile Limited        | Dormant                            | United Kingdom                              | 100%   | 100%            |
| S&P Consult Limited             | Dormant                            | United Kingdom                              | 100%   | 100%            |
| SpaceandPeople India Pvt Ltd    | Media                              | India                                       | 53.40%   | 59.94%          |

## 5. Other intangible assets

| <b>Cost</b>                | Website<br>development<br>£'000 | Product<br>development<br>£'000 | Patents &<br>trademarks<br>£'000 | Total<br>£'000 |
|----------------------------|---------------------------------|---------------------------------|----------------------------------|----------------|
| At 31 December 2016        | 284                             | 137                             | 107                              | 528            |
| Additions                  | -                               | -                               | 12                               | 12             |
| At 31 December 2017        | 284                             | 137                             | 119                              | 540            |
| Additions                  | -                               | -                               | -                                | -              |
| At 31 December 2018        | <b>284</b>                      | <b>137</b>                      | <b>119</b>                       | <b>540</b>     |
| <br>                       |                                 |                                 |                                  |                |
| <b>Amortisation</b>        | Website<br>development<br>£'000 | Product<br>development<br>£'000 | Patents &<br>Trademarks<br>£'000 | Total<br>£'000 |
| At 31 December 2016        | 284                             | 137                             | 86                               | 507            |
| Charge for the period      | -                               | -                               | 18                               | 18             |
| At 31 December 2017        | 284                             | 137                             | 104                              | 525            |
| Charge for the period      | -                               | -                               | 11                               | 11             |
| At 31 December 2018        | <b>284</b>                      | <b>137</b>                      | <b>115</b>                       | <b>536</b>     |
| <br>                       |                                 |                                 |                                  |                |
| <b>Net book value</b>      | Website<br>Development<br>£'000 | Product<br>development<br>£'000 | Patents &<br>Trademarks<br>£'000 | Total<br>£'000 |
| At 31 December 2016        | -                               | -                               | 21                               | 21             |
| At 31 December 2017        | -                               | -                               | 15                               | 15             |
| <b>At 31 December 2018</b> | <b>-</b>                        | <b>-</b>                        | <b>4</b>                         | <b>4</b>       |

## 6. Property, plant and equipment

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

| <b>Cost</b>                | Fixture & fittings<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
|----------------------------|-----------------------------|-----------------------------|----------------|
| At 31 December 2016        | 870                         | 587                         | 1,457          |
| Additions                  | -                           | 92                          | 92             |
| At 31 December 2017        | 870                         | 679                         | 1,549          |
| Additions                  | 5                           | 91                          | 96             |
| <b>At 31 December 2018</b> | <b>875</b>                  | <b>770</b>                  | <b>1,645</b>   |
| <b>Depreciation</b>        | Fixture & fittings<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
| At 31 December 2016        | 316                         | 451                         | 767            |
| Charge for the period      | 93                          | 77                          | 170            |
| At 31 December 2017        | 409                         | 528                         | 937            |
| Charge for the period      | 93                          | 86                          | 179            |
| <b>At 31 December 2018</b> | <b>502</b>                  | <b>614</b>                  | <b>1,116</b>   |
| <b>Net book value</b>      | Fixture & Fittings<br>£'000 | Computer equipment<br>£'000 | Total<br>£'000 |
| At 31 December 2016        | 554                         | 136                         | 690            |
| At 31 December 2017        | 461                         | 151                         | 612            |
| <b>At 31 December 2018</b> | <b>373</b>                  | <b>156</b>                  | <b>529</b>     |

## 7. Deferred tax

|  | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|--|--------------------------|--------------------------|
| <b>Deferred tax liability:</b>   |                          |                          |
| Deferred tax liability to be recognised after more than 12 months                  | 59                       | 91                       |
| <b>Deferred tax liability</b>  | <b>59</b>                | <b>91</b>                |
| At 1 January   | 91                       | 91                       |
| Charge in respect of temporary timing differences on property, plant and equipment | (32)                     | -                        |
| <b>At 31 December</b>  | <b>59</b>                | <b>91</b>                |

## 8. Trade and other receivables

|  | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|--|--------------------------|--------------------------|
| Trade debtors  | 1,154                    | 956                      |
| Other debtors  | 418                      | 430                      |
| Prepayments  | 256                      | 165                      |
| Amounts due from related parties                                 | 671                      | 955                      |
| <b>Total</b>   | <b><u>2,499</u></b>      | <b><u>2,506</u></b>      |
| Amounts falling due after more than one year included above are: | 412                      | 424                      |

The ageing of trade debtors:

|                 | Current<br>£'000 | 0 – 30 Days<br>£'000 | 31 – 60 Days<br>£'000 | 61 Days +<br>£'000 | Total<br>£'000 |
|-----------------|------------------|----------------------|-----------------------|--------------------|----------------|
| 31 December '18 | 667              | 196                  | 127                   | 164                | <b>1,154</b>   |
| 31 December '17 | 552              | 163                  | 105                   | 136                | <b>956</b>     |

## 9. Cash and cash equivalents

|                          | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|--------------------------|--------------------------|--------------------------|
| Cash at bank and on hand | <u>401</u>               | <u>1,017</u>             |
|                          | <b><u>401</u></b>        | <b><u>1,017</u></b>      |

## 10. Trade and other payables

|                                 | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---------------------------------|--------------------------|--------------------------|
| Trade creditors                 | 113                      | 95                       |
| Other creditors                 | 1,215                    | 1,734                    |
| Social Security and other taxes | 263                      | 455                      |
| Accrued expenses                | 470                      | 542                      |
| Amounts due to related parties  | 2,583                    | 1,929                    |
| <b>Trade and other payables</b> | <b><u>4,644</u></b>      | <b><u>4,755</u></b>      |
| Corporation tax                 | (37)                     | 54                       |
| <b>Total</b>                    | <b><u>4,607</u></b>      | <b><u>4,809</u></b>      |

## 11. Non-current liabilities

As at 31 December 2018, SpaceandPeople plc had drawn down £nil (2017: £nil) of its agreed bank facility of £1.25 million (2017: £1.25 million), £1.00 million of which expires in November 2021 and the other £0.25 million is repayable on demand.

## 12. Operating lease commitments

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

|                                 | 31 December '18<br>£'000 | 31 December '17<br>£'000 |
|---------------------------------|--------------------------|--------------------------|
| Within 1 year                   | 177                      | 173                      |
| Between 2 and 5 years inclusive | 127                      | 271                      |

### 13. Called up share capital

| Allotted, issued and fully paid |               |        | 31 December '18 | 31 December '17 |
|---------------------------------|---------------|--------|-----------------|-----------------|
| Class                           | Nominal value |        |                 |                 |
| Ordinary                        | 1p            | £      | 195,196         | 195,196         |
|                                 |               | Number | 19,519,563      | 19,519,563      |

### 14. Share options

Details of the Company's share options are as at notes 24 and 25 to the Group annual report.

### 15. Related party transactions

During the year, the Company charged its subsidiary companies the following amounts in respects of costs incurred on their behalf: POP Retail Limited £654,021 (2017: £845,215), SpaceandPeople GmbH £24,751 (2017: £87,148), Retail Profile Europe GmbH £nil (2017: £276,217)

At 31 December 2018, the Company had the following balance with Group companies:

|  |                     |
|--|---------------------|
| <b>Amount due from SpaceandPeople GmbH</b>           | <b>£549,269</b>     |
| <b>Amount due from Retail Profile GmbH</b>           | <b>£125,351</b>     |
| <b>Amount due to POP Retail Limited</b>              | <b>(£1,986,030)</b> |
| <b>Amount due to Retail Profile Holdings Limited</b> | <b>(£599,578)</b>   |

SpaceandPeople plc

Company Information

For the 12 months ended 31 December 2018

|  |   |
|--|---|
| <b>Directors:</b>                      | W G Watt – Non-Executive Chairman<br>M J Bending – Chief Executive Officer<br>N J Cullen – Chief Operating Officer<br>G R Dunlay – Chief Financial Officer<br>S R Curtis – Non-Executive Director |
| <b>Secretary:</b>                      | G R Dunlay  |
| <b>Registered office:</b>              | 2 <sup>nd</sup> Floor<br>100 West Regent Street<br>Glasgow<br>G2 2QD  |
| <b>Registered number:</b>              | SC212277  |
| <b>Nominated advisors and brokers:</b> | Cantor Fitzgerald Europe<br>1 Churchill Place<br>Canary Wharf<br>London<br>E14 5RB  |
| <b>Registrars:</b>                     | Neville Registrars Limited<br>Neville House<br>18 Laurel Lane<br>Halesowen<br>West Midlands<br>B63 3DA  |
| <b>Auditors:</b>                       | Campbell Dallas Audit Services<br>Chartered Accountants & Registered Auditors<br>Titanium 1<br>King's Inch Place<br>Glasgow<br>PA4 8WF  |
| <b>Bankers:</b>                        | Santander UK plc<br>301 St Vincent Street<br>Glasgow<br>G2 5HN  |
| <b>Solicitors:</b>                     | Sherrards Solicitors LLP<br>1 – 3 Pemberton Row<br>London<br>EC4A 3BG   |

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