# SpaceandPeople Annual Report and Accounts 2012

Report
of the
Directors and
Financial Statements
for year
ended
31 December
2012

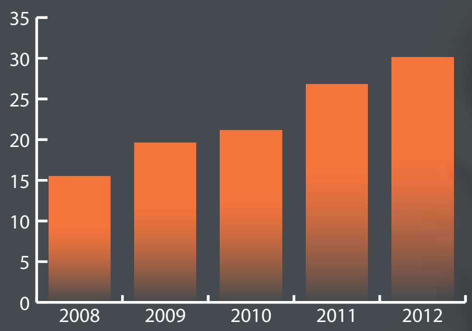
SpaceandPeople

Annual Report

# Contents

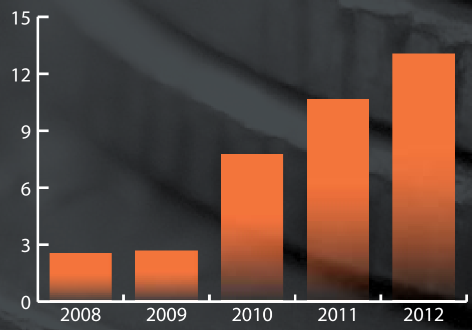
# Financial and Operational **Highlights**

### GROSS REVENUE £M



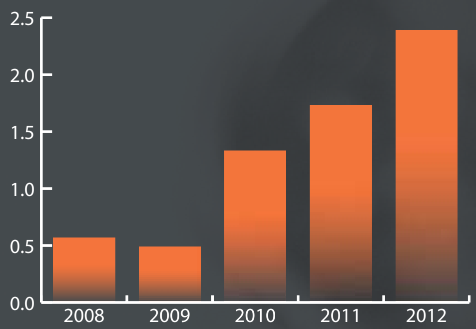

INCREASE IN GROSS SALES OF 12% TO £30.11M

### NET REVENUE £M



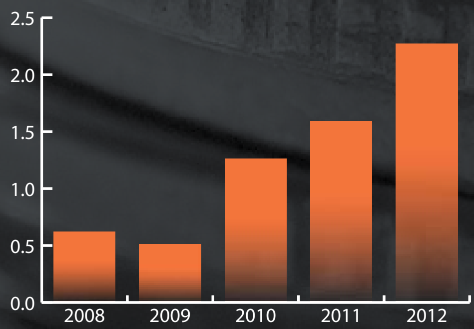

INCREASE IN NET REVENUE OF 22% TO £13.06M

### OPERATING PROFIT £M



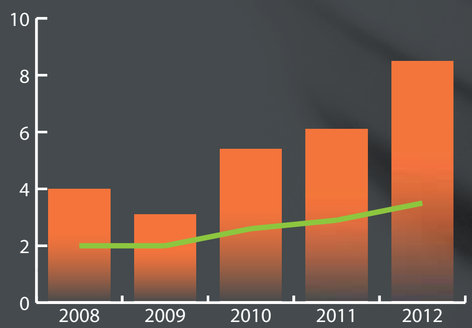

GROWTH IN OPERATING PROFIT OF 37% TO £2.37M

### PROFIT BEFORE TAX £M




INCREASE IN PRE-TAX PROFIT OF 43% TO £2.27M

### EPS AND DIVIDEND (PENCE)




INCREASE IN BASIC EPS OF 39% TO 8.50P
DIVIDEND INCREASED 21% TO 3.50P

REVENUE from UK promotional activity UP 34%

REVENUE from German promotional activity UP 61%

REVENUE from German retail licensing activity UP 124%

STRONG CASH GENERATION of £2.27m from operating activities resulting in net cash improvement of £869k over the year with a positive cash position at the year-end of £2.02m

MAJOR NEW CONTRACT WINS IN THE UK with both Land Securities and Intu (formerly Capital Shopping Centres) signing exclusive promotional contracts for the first time

MAJOR NEW CONTRACT WIN IN GERMANY with MEC Metro signing an exclusive deal towards the end of the year

OVER 10,000 UNIQUE PROMOTIONS AND KIOSKS in over 700 venues across 4 major global markets during 2012

Now have EXCLUSIVE PROMOTIONAL/RETAIL RIGHTS in 34 of the 50 top shopping centres in the UK and have provided services to 88 of the top 100 shopping centres during 2012

LAUNCH OF S&P+ LIMITED

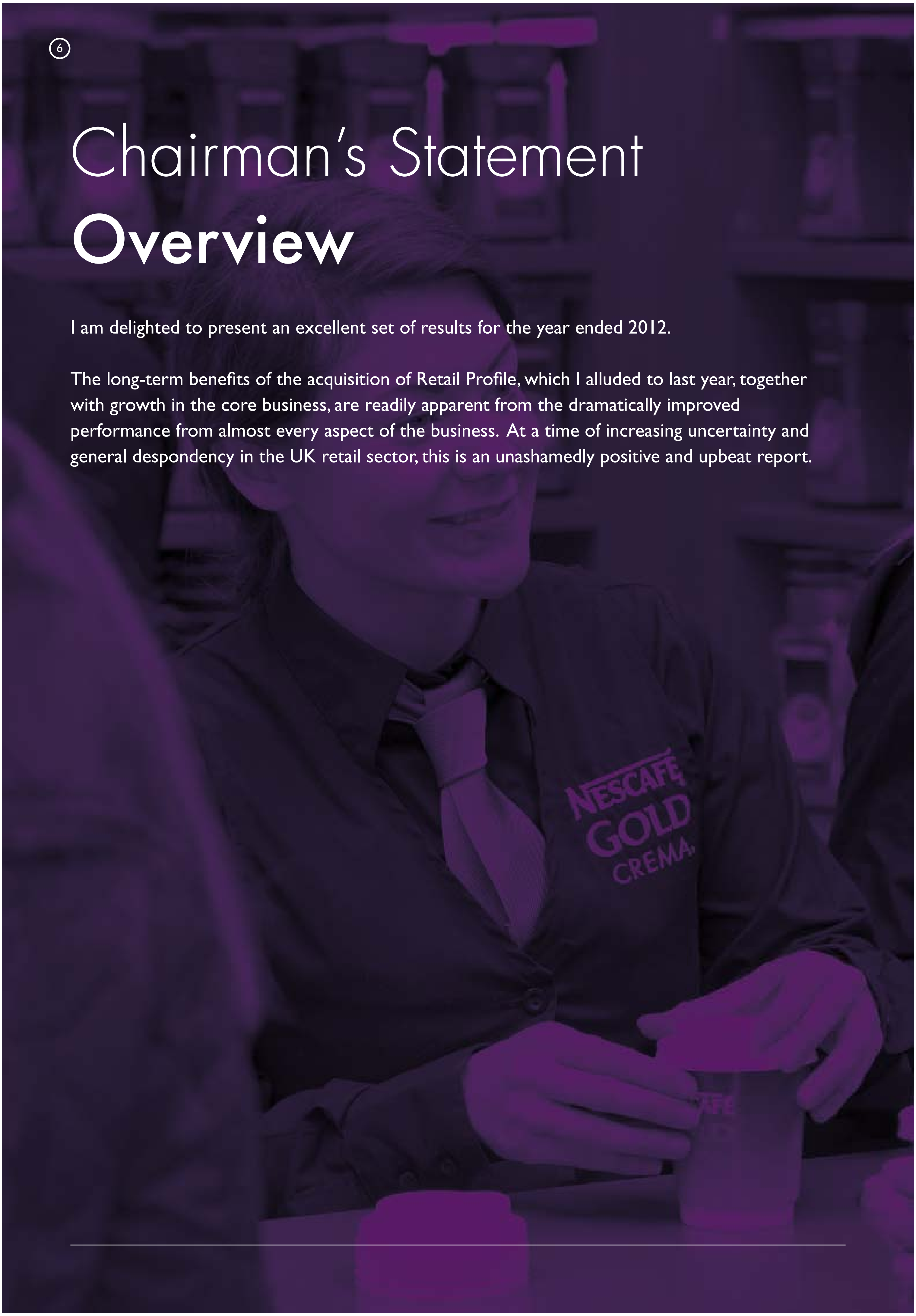
FURTHER INVESTMENT in SpaceandPeople India

# Chairman's Statement

## Overview

I am delighted to present an excellent set of results for the year ended 2012.

The long-term benefits of the acquisition of Retail Profile, which I alluded to last year, together with growth in the core business, are readily apparent from the dramatically improved performance from almost every aspect of the business. At a time of increasing uncertainty and general despondency in the UK retail sector, this is an unashamedly positive and upbeat report.



The Group secured notable contract wins in the UK with two of the country's largest publicly traded owners of shopping centres, Land Securities and Intu giving the Group exclusive promotional contracts for the first time, and making it the clear market leader in the UK. It now has exclusive promotional or retail contracts in 34 of the top 50 UK shopping centres and traded with 88 of the top 100 during the year, which helped increase revenue from UK promotional activity by 34%. The best locations in the best centres, together with the launch of S&P+ Limited, will continue to drive improved performance from one of the core strands of the business.

The German business is now firmly established and delivering impressive growth as the locally based team of 27 people in our new office in Hamburg continues to increase sales from the core portfolio of ECE shopping centres, with promotional revenue up by 61%. Towards the end of 2012 they secured a major new exclusive contract with MEC Metro, which will sustain this growth and reinforce the dominance of SpaceandPeople in the German market. The investment in new mobile kiosks and their roll-out to more centres has resulted in a 124% increase in revenue from German retail licensing.

All of this translates to an excellent set of results.

## FINANCIAL RESULTS

Starting with the financial highlights, there was a 22% growth in Group revenue to £13.06m and a 37% increase in Group operating profit to £2.37m.

There was a 39% increase in basic (after non-recurring costs) non-diluted EPS to 8.50p from 6.13p in 2011. Mindful of the significant opportunities available from further investment in the business, the Board has proposed that the dividend is increased at a slightly lower rate than the increase in EPS in 2012.

Notwithstanding further investment in overseas markets, S&P+ Limited and additional sales, compliance and support staff, the Group ended the year on a secure financial footing, with a net cash improvement of £869k during the year and £2.02m of cash on the balance sheet at the year end. The Group also has a flexible borrowing facility of £2.5m with Lloyds TSB Group that provides the ability to fund its future growth from existing banking arrangements.

## PEOPLE

None of this would be possible without a dedicated and committed workforce and I would like to thank the senior management team and staff for their sterling efforts throughout the year. There have been no changes at Board level this year and the average headcount has increased from 81 to 99.

## DIVIDEND

Recognising the excellent progress made by the Group, your Board is proposing a dividend of 3.50p per share, an increase of 21% on last year, payable on 26th April 2013 to all shareholders on the register on 5th April 2013.

## OUTLOOK

SpaceandPeople continues to add new venues to the service and now represents over 700 venues in the UK and Germany, an increase of over 100 on 2011 with a combined footfall of over 70 million customers a year.

Although one can never be complacent and must always be alert to external challenges, the figures are testament to the strength and diversity of the business and the Group is extremely well positioned to deliver further improvements in 2013.

David Henderson-Williams
Chairman
*22 March 2013*

# Chief Executive Officer's **Review**

The premise of SpaceandPeople is based upon the fact that venue owners have sought to improve returns on their assets, however building new venues or increasing rents can be difficult. Previously, property owners used general in-house staff to generate revenues by encouraging local businesses into their space to promote products and services. This tended to be an ad-hoc and reactive process and there was no information available to promoters to incentivise them to make use of this opportunity. SpaceandPeople identified the opportunity that was available to promoters to meet their potential customers face to face and the fact that this was of great value to them. They also enabled venues to be more structured in how they dealt with promoters and gave them a better understanding of the value of their space in this regard. From small beginnings in 2001, we now represent over 700 venues, facilitating over 10,000 promotions a year in venues ranging from prime shopping centres to retail parks and train stations in four different countries as a result of being able to facilitate the use of high footfall space as a medium to transact business.

One of SpaceandPeople's key skills is in understanding the value and type of user for any space at any time in any venue, then executing that understanding through the marketing and selling of that public space. This is usually done on a revenue share basis with the venue, so we only make money if they make money, essentially making our service free to buyers.

Since inception, our relationships with venues have become more sophisticated, with longer term contracts of increased value to all parties. As the first company to create this business model, we have innovated constantly so that property owners now have a range of online analytics and measurement tools which allow them to understand the value and utilisation of their common areas.

These spaces are not utilised only for promotions but also retailing. The purchase of Retail Profile Europe in 2010 by SpaceandPeople enabled venue owners to amalgamate their commercialisation into a one stop shop. The combined knowledge of both companies and active venue space management has also enabled us to help them to plan their overall long-term strategy for their space.

## GROWTH AREAS

In order to help grow the number of experiential marketing events that take place on our clients' spaces, we need to make those parties who are responsible for booking events aware of the benefits of this opportunity. Media agencies control all the Above the Line (ATL) advertising budgets (estimated to be £15 billion in the UK last year), however uptake by them of experiential campaigns in venues has so far been slow. This is due to our industry not being ready to support them by providing meaningful and transparent data, or making the service easy to purchase. To address this need, we along with media buying specialists, have invested in S&P+ Limited. This company will talk to the major media agencies and provide them with the resource to include experiential marketing in their strategic decision making and budget setting. They will also be supported by a web buying portal to facilitate the purchasing of all the fundamental building blocks of an experiential campaign: logistics, staff, creative, accommodation and tailored training packages. The objective is to show agencies and brands that experiential marketing in our clients' venues is an essential and cost effective way of promoting a huge number of businesses, products and services.

## INVESTMENT

2012 saw significant investment in the German mobile kiosk roll-out, with the number of units in operation increasing from 48 to 99 units in three regions; a fantastic effort by the team. Shopping centres in particular are raising their game regarding visitor experience and SpaceandPeople has responded by developing ground breaking new retail unit designs, new approaches for pop-up shops and training schemes to ensure that we play a key part in this improvement.

To increase the efficiency of the business, we have created an automated business intelligence platform. This allows managers to have a dashboard of key, real time data that they can share with venues and promoters. This investment is on-going and we will roll-out new products that support and streamline our management of venues during 2013.

## STRENGTH AND STABILITY

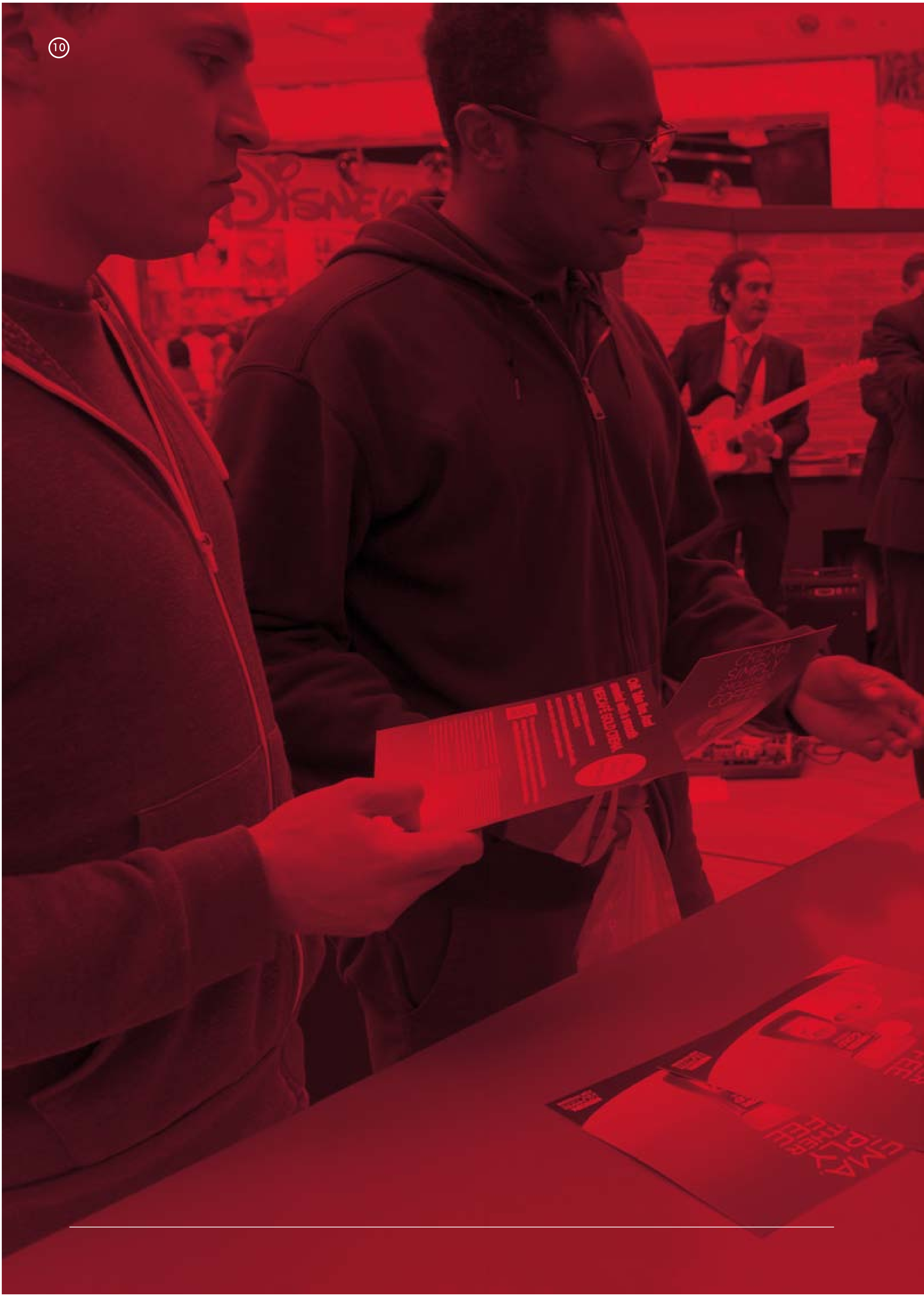
Diversification of our client base and revenue streams has been a key strategic aim of the business. Having revenue streams from a number of countries and different product types allows us to deal with specific local issues while also enabling us to deliver major cross border campaigns for customers. This has resulted in us delivering over £30 million in gross turnover for the first time in 2012 with further growth expected in 2013. Retail licensing income is set to double in 2013 in Germany, the biggest retail market in Europe with an expanding retail property sector, and European promotions are growing at a similar pace.

The only missed opportunity in 2012 has been India where the business has had a mixed year. The development of the kiosks selling MacV sunglasses has been a great success, with 7 kiosks operating in Mumbai, Hyderabad and Chennai. Planned expansion in 2013 is for another 7 units. However, the promotions business of SpaceandPeople India has suffered in the slowing Indian economy. The UK business found in 2009 that marketing spend in difficult economic times is one of the first items in many budgets to be cut, however, the promotional budgets in many sales departments remained unaffected. As in the UK, the Indian business has now reorganised, strengthened its local sales teams and started selling to Sales Directors as well as Marketing Directors. I am pleased to say, although not out of the woods yet, the promotional business is making good progress in the first quarter of 2013.

The most significant development of the business, in my opinion, was that global brands such as Samsung, VW, Microsoft, Skoda and Nokia simultaneously launched products using SpaceandPeople's offices in Germany, India and the UK. I see this as the initial step in developing the strategic use of experiential marketing as a media with SpaceandPeople managed venues being the preferred locations.

The first quarter of 2013 has started very positively and we look forward to another year of success.

Matthew Bending
Chief Executive Officer
*22 March 2013*




Your $O_2$ shop
is changing
We'll be open soon
NESCAFÉ
GOLD
CREMA

# Operating and Financial **Review**

## STRUCTURE

Throughout 2012, the Group continued to take advantage of its business model, which ensures that through having a strong core of experienced and talented staff, an in-depth and disciplined training programme and stable and robust IT systems, it was able to grow across its promotional and retail licensing businesses, in both the UK and German marketplaces, at a strong and sustainable rate.

The Group has continued to grow the level of income it provides to its venue partners, and therefore its own income. This is as a result of the successful recruitment of additional sales management and staff as well as winning significant new contracts in both the UK and Germany as a result of our track record, our ability to move quickly to meet their needs and our stability and financial strength.

The Group continues to invest in improved systems and support staff that will provide it and its partners with enhanced information as well as continuing the programme of recruitment and staff development to ensure that revenue is maximised for all parties.

The scalable nature of the business means that additional gross profit can be delivered without the need for significant increases in central overheads as has been demonstrated in 2012 and is forecast to continue in 2013.

## REVENUE

During 2012, the Group generated £30.11m of gross revenue for its clients. This was 12% higher than in the previous year. Net revenue earned by the Group was £13.06m which represents growth of 22% in absolute terms (25% removing the effects of currency movements). This growth was driven by the businesses in Germany, where promotions revenue increased by 61% to £1.96m and retail licensing revenue increased by 124% to £1.97m. The UK promotions business also grew by 34% to £3.27m, a significant part of which was due to securing the exclusive deals with Land Securities and Intu across their shopping centre portfolios.

During 2012, the Group booked over 10,000 unique promotions and mobile kiosks into over 700 venues. The volume and value of individual bookings demonstrates the diversity of our business as well as its complexity. We believe that we offer the best opportunity for venue owners to maximise the income from their mall space as well as offering an attractive, current and engaging variety of promotions and retail offerings.

## ADMINISTRATIVE EXPENSES

In order to deliver the increased revenue, administrative expenses grew by 22% to £10.90m. This was due mainly to the increase in rent payable to German venues in relation to mobile kiosks to £9.92m (2011: £0.43m) and the increase in staff as the sales and support team was expanded in order to deliver the increased sales to venues. The average headcount in the Group increased to 99 from 81 in 2011. Revenue per employee remained constant at £132k as it was in 2011.

## PROFIT

Operating profit grew by 37% to £2.37m (2011: £1.73m) and profit before taxation, but after adjusting for minority interests, grew by 47% to £2.33m.

The increase in the rate of corporation tax payable from 25% to 29% is as a result of an increase proportion of the profitability of the Group being delivered by the German businesses where the combined rate of corporate taxation is significantly higher than in the UK.

Basic EPS increased to 8.50p (2011: 6.13p), an increase of 39% and fully diluted EPS increased to 7.78p (2011: 5.75p). Basic EPS is calculated as profit after tax divided by the weighted average number of shares in issue during the year which was 19,439,527, up from 19,431,063 in 2011. 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 21,271,423, up from 20,712,139 in 2011.

## CASH FLOW

The Group generated £2.27m of net cash flow from operating activities which was £134k higher than the amount generated in 2011. The increases in both trade debtors and trade creditors are due to the Group facilitating an increased number of long-term contracts between venues and promoters that helps improve the stability and visibility of sales.

## DIVIDENDS

The Group is proposing a final dividend of 3.50p per share at the Annual General Meeting on 25 April 2013. If approved, this will be paid on 26 April 2013 and will be 21% higher than the dividend paid during 2012. This dividend would represent a distribution to shareholders of 41% of the basic EPS in the year which is down from 47% in the previous year. We expect to maintain dividend growth broadly in line with EPS going forward.

## POTENTIAL RISKS

*Loss of client*

The Group has a diverse portfolio of clients and this has been added to during 2012 with the significant addition of Land Securities, Intu and MEC-Metro. The loss of a client is not something we take lightly and we go to considerable lengths to ensure that our clients are satisfied with the level of business, support and quality assurance that they receive. As no single contract accounts for more than 15% of Group revenue and 17% of gross profit, and given the scalability of the business, the loss of a significant client, while unwelcome, would not put the results or the resources of the business at significant risk especially as we continue to attract new clients.

*Loss of key personnel*

The loss of any member of senior management would be unwelcome, however, with a large and experienced team in place including three Managing Directors in the German businesses, a Managing Director in India, a UK Director of Sales and a UK Venues Director, in addition to the Executive Directors, the business is not overly dependent on any one individual. There is also a strong and experienced group of managers and support staff in all areas of the business as well as a large and diverse sales team. Due to the way staff are remunerated through competitive basic salaries and attractive commission and bonus opportunities, as well as the provision of training and an enjoyable working environment, the business does not experience a high level of staff turnover despite the demands it places upon them.

*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, with contracts and service level agreements in place with suppliers to ensure that any disruption and risk to the business is kept to an absolute minimum.

*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 and licences.

*Economic climate*

The business has in the past proven itself to be alert to changes in the economic climate in the territories in which it operates and has the flexibility to respond to these changes to ensure that neither it nor its clients suffer as a result. Although much of its business is transacted in a retail environment, the Group is neither a retailer nor a landlord and what it offers to its clients and customers is access to a targeted demographic in appropriate high footfall venues. As long as people have a propensity to congregate and promoters and operators want to meet their potential customers, this will continue to be successful.

*Summary*

2012 represented another successful year for the Group with revenue, profit, EPS and dividends all at record highs. The Group achieved this while still investing in key management roles, sales and support staff, equipment and IT infrastructure, not to mention launching S&P+ Limited. All of this investment has been undertaken to ensure that the Group continues to grow strongly throughout 2013 and beyond.

Gregor Dunlay
Chief Financial Officer
*22 March 2013*

# MacV Eyewear
# Successful Launch in India

## INTRODUCTION

MacV Eyewear was launched in March 2012 by SpaceandPeople plc as a sunglass brand following an initial pilot, which had identified a gap in the market for high quality sunglasses to rival similar brands at the same price point. An independent retailer licensed the business model for India, starting in one location in Mumbai, which was quickly rolled-out to an additional two shopping centres. MacV is currently retailing from kiosks in shopping centres to establish the brand and increase market presence with kiosks in seven locations within three cities in India (Mumbai, Hyderabad and Chennai). The brand has a very successful up-sell offer for multiple purchases, which accounts for a large proportion of sales. A key differentiator from its competitors is the breadth and depth of MacV's product range - the kiosks typically retail a wide selection of 120 styles in at least 2-3 different colours, which is more than any other similar brand.

## CHALLENGES

As India covers such a vast area and has very distinct cultural and regional differences, the licensee has found that the product range required in each region varies dramatically. There are variations in weighting of product lines for males and females, lens types and styles. This is even the case within a single city such as Mumbai, where each kiosk has its own bespoke product mix. Again, due to the footprint of the country, there are a number of logistical challenges which have had to be overcome. MacV is working with its licensee to expand their presence in order to service the market throughout India.

## SUCCESS SO FAR

SpaceandPeople India has assisted the licensee in securing attractive and successful sites within shopping centres for the MacV kiosks as well as helping to enhance the appearance of these kiosks as the business has developed. The licensee has also liaised with shopping centre owners to arrange MacV brand sponsorship at key venue events.

## PLANS FOR FUTURE

SpaceandPeople and the licensee have already begun work to further regionalise the marketing and promotion of the business. Once a local presence has been established throughout the country and the brand is able to service the whole of India, MacV will look to assist in the development of the business as a web based retailer in addition to physical kiosks in venues. The plan for 2013 is to oversee the roll-out of an additional 7 to 8 kiosk in shopping centres throughout India. As the success of the licence model is demonstrated, SpaceandPeople plc will look to use this success to roll-out the concept in other countries.

# Board and Senior Management Biographies

## SENIOR MANAGEMENT

NICK HILL :
UK DIRECTOR OF SALES

Nick has worked in media sales for over twenty years, including thirteen years at the Daily Telegraph, selling directly to brands and agencies. During the last nine years with the Company, Nick has developed an in-depth knowledge of the property industry and, combining this with his sales and media experience, he has helped the business to deliver increased revenue streams for its UK venues while driving forward the strategic processes to manage such a diverse and multi-faceted sales operation. Nick heads up the UK sales team ensuring the sales potential for on-service venues is maximised.

PARESH KHIVESARA : MANAGING DIRECTOR - SPACEANDPEOPLE INDIA

Having attained a degree in commerce from Mumbai University, Paresh joined a retail telecoms company in Mumbai with responsibility for 8 outlets, whilst simultaneously gaining a M.Com from Mumbai University. He then gained an MSc in Retail Management from Stirling University. Whilst working for Standard Life Investments in Scotland, along with Matthew Bending he recognised the opportunity to export the SpaceandPeople business model to India and helped launch the business there in December 2008. Paresh leads the management of the Company's 3 regional offices and 23 staff.

MICHAEL SCHOLTYSEK : MANAGING DIRECTOR - SPACEANDPEOPLE GERMANY

After vocational training as an exporter and graduating with an Economics Degree from the University of Hamburg, Michael spent the next 20 years at a variety of trading firms, industrials and international field-marketing agencies, holding senior positions such as Managing Director, Director of Marketing & Sales and Head of National Sales focusing on sales and marketing for leading brands. Michael joined SpaceandPeople in 2012 as Joint Managing Director of the German company, with specific responsibility for service alignment and business development.

ANDREW KEILLER :
UK VENUES DIRECTOR

Andrew is a highly regarded commercialisation expert and has overseen the growth of promotional revenues in many high footfall venues such as shopping centres, iconic venues, train stations and airports. He has international experience having lead sales teams in the UK, Canada, USA and Singapore. Andrew joined the Group as UK Venues Director in Feb 2013, having spent the last eight years leading the Venue Acquisition and Sales teams as Group Sales Director and board member at Brandspace.

FRANKA LANGE : MANAGING DIRECTOR - RETAIL PROFILE EUROPE GmbH

After graduating with a diploma in Applied Business Languages and International Management, Franka worked with a business process outsourcing company, managing the set up and operation of 4 companies with 200 sales staff. Franka joined SpaceandPeople Germany in 2009 as Sales Manager using her expertise to accelerate the development of the German business and build closer relationships with key clients. Since 2011 Franka has been responsible for the development and growth of Retail Profile Europe GmbH.

VOLKER SKIBBE : MANAGING DIRECTOR - SPACEANDPEOPLE GERMANY

Having qualified with a Diploma in Business Engineering, Volker spent 13 years gaining experience in sales management including nationwide responsibilities for sales teams and branches in Germany. He joined SpaceandPeople in September 2007 as Director of Sales and Administration with responsibility to build up and develop the Group's first foreign branch. Since the formation of SpaceandPeople GmbH in September 2011 Volker became Joint Managing Director of the German company.

## CHAIRMAN AND EXECUTIVE DIRECTORS

DAVID HENDERSON-WILLIAMS : NON-EXECUTIVE CHAIRMAN

David is a co-founder of Hark Group, an asset management company specialising in shopping centres and office buildings. He previously spent 15 years at Chesterfield Properties Plc where he was CEO of the American subsidiaries and subsequently main board director with overall responsibility for the UK investment portfolio. He has been a Director of SpaceandPeople since October 2006, and Chairman since June 2007. He is a member of the Remuneration Committee.

MATTHEW BENDING : CO-FOUNDER & CHIEF EXECUTIVE OFFICER

Matthew has a BA (Hons) in Politics and History, PG Dip in Business Administration and the CIM Diploma. After many years as an international money broker in the City, Matthew moved to Scotland to take up the post of Marketing Manager for Standard Life Investments' Scottish shopping centres, which kick-started the SpaceandPeople concept. Having founded the business twelve years ago with Nancy Cullen, Matthew is the CEO of the Group with overall responsibility for strategy and has played a pivotal role in the evolution and expansion of the business.

NANCY CULLEN : CO-FOUNDER & CHIEF OPERATING OFFICER

Having qualified with a degree in Business with French and Marketing, Nancy started out as a graduate trainee with BP and worked for BAA before becoming Marketing Manager for Eurostar. This was followed by seven years as Head of Marketing for Brent Cross Shopping Centre. Along with her co-founder, Matthew Bending, Nancy has been responsible for raising the profile of mall space as a viable media. She works closely with key property portfolios on specialised mall strategies to maximise the commercialisation potential of the venues the Group represents.

GREGOR DUNLAY : CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Gregor is a chartered accountant having qualified with Price Waterhouse in 1994. Gregor joined SpaceandPeople in September 2010 having spent three years with Industrious Asset Management Limited as Finance Director. Prior to this, Gregor spent ten years with DAKS Simpson Group plc where he had various roles including Head of Finance and General Manager. Gregor is responsible for the finance and administrative functions within the Group.

MARTIN KEMP : EXECUTIVE DIRECTOR

After graduating with an Economics Degree, Martin spent over twenty years at Marks & Spencer, where he held a number of senior roles within the Clothing & Homeware Divisions, as well as a two year Executive assignment to the Chairman and CEO's office. He joined Retail Profile in 2008 as Managing Director and became a Director of the Group upon its acquisition of Retail Profile in 2010, with responsibility for retail as the business continues to focus on this key area.

CHRISTOPHER STAINFORTH : DIRECTOR

Christopher qualified as a chartered accountant with Peat, Marwick, Mitchell & Co before joining Schroder's and subsequently becoming Managing Director of Corporate Finance at UBS Phillips & Drew. He was Head of Corporate Finance at Guinness Mahon before moving to Ermgassen & Co Ltd. He later became CEO of Durlacher and joined Sapphire as a partner before rejoining Ermgassen. In 2011, Christopher joined Libertas Partners where he is Chairman and has been a Director of over a dozen quoted companies. Christopher is a member of the Audit Committee.

## NON-EXECUTIVE DIRECTORS

### RICHARD CHADWICK

On qualifying as a chartered accountant, Richard spent five years with KPMG in Montreal, specialising in retail. Returning to the UK, he joined Sainsbury's, holding several senior finance roles. He set up and ran Sainsbury's Bank, was a Non-Executive Director of Shaw's (their US subsidiary) and JS Developments (their property development subsidiary), and was a trustee of their pension funds. Richard Chadwick is Chairman of both the Audit and Remuneration Committees.

### MAURICE HELFGOTT

Maurice is the Founder Director of Investment and Advisory firm Amery Capital, and Chairman of both Long Tall Sally and Oliver Sweeney, as well as Senior Independent Director of Moss Bros Group plc. Maurice has an MBA with High Distinction from Harvard Business School and prior to founding Amery Capital, served as an Executive Director on the main Board of Marks and Spencer plc, having successfully delivered on a range of operational, buying and general management roles during 16 years with the company. He is involved with a number of charitable and not-for-profit organisations and is a member of both the Audit and Remuneration Committees.

### ALFRED STIRLING

Fred qualified as a chartered accountant and has been Chairman and Managing Director of Gresham House plc as well as founder, Chairman and Managing Director of Welsh Industrial Investment Trust plc, both listed authorised investment trusts. He has been instrumental in forming and investing in small start-up companies. He has been a Director of a number of quoted companies and was one of the founding Directors and Shareholders of the Group.

# Report
# of the Directors

The Directors present their annual report and audited financial statements of SpaceandPeople plc

## PRINCIPAL ACTIVITIES

The principal activities of the Group remain the marketing and selling of promotional and retail licensing space on behalf of shopping centres and other venues throughout the UK, Germany and India.

## BUSINESS REVIEW

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

The review of the business and a summary of future developments are included in the Chairman's Statement, the Chief Executive Officer's Review and the Operating and Financial Review on pages 6 to 14.

## KEY PERFORMANCE INDICATORS

The main financial key performance indicators are profit before taxation and basic earnings per share. During the year profit before taxation increased by 43% to £2.27m and basic earnings per share rose by 39% to 8.50p.

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;
- promoters and operator types compared with historic bookings; and
- commission rates and occupancy rates.

## PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the Group are explained in the Operating and Financial Review on pages 12 and 14.

## DIVIDENDS

The dividend paid in April 2012 was £564k (2011: £505k) which was 2.90p per share (2011: 2.60p per share). The Directors recommend a dividend of £681k being 3.50p per share, which will be payable on 26 April 2013 to all shareholders on the share register as at 5 April 2013, subject to approval at the Annual General Meeting on 25 April 2013.

## THE DIRECTORS AND THEIR INTERESTS

The Directors who served during the period under review were:

| | |
|---|---|
| D A Henderson-Williams | Non-Executive Chairman |
| M J Bending | Chief Executive Officer |
| N J Cullen | Chief Operating Officer |
| G R Dunlay | Chief Financial Officer |
| M D Kemp | Executive Director |
| C G Stainforth | Director |
| R A Chadwick | Non-Executive Director |
| M H Helfgott | Non-Executive Director |
| A P Stirling | Non-Executive Director |

Directors' interests in the ordinary shares of the Group and in share options are disclosed in the Remuneration Report on pages 28 to 30.

## 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 1p shares | Number | % |
|---|---|---|
| Gresham House plc * | 2,062,500 | 10.61 |
| Michael Bennett | 1,599,277 | 8.23 |
| Maurice Bennett | 1,599,277 | 8.23 |
| The Gresham House Number 1 Pension Scheme ** | 1,186,000 | 6.10 |
| Julia Langkraehr | 788,506 | 4.06 |
| Roy Mitchell | 691,417 | 3.55 |

* *R A Chadwick is a Director of Gresham House plc.*
** *A P Stirling is a trustee of The Gresham House Number 1 Pension Scheme (of which he is also a beneficiary).*

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing the annual report and financial statements in accordance with the Companies Act 2006. The Directors are also required to prepare financial statements for the Group and parent Company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. 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.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The financial statements are published on the Group's website. The maintenance and integrity of this website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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.

## PAYMENTS TO SUPPLIERS

Whilst no formal code is adopted, the Group's current policy concerning the payment of its creditors is to:

- settle the terms of payment with creditors when agreeing the terms of each transaction;
- ensure that those creditors are made aware of the terms of payment by inclusion of the relevant terms in contracts; and pay in accordance with its contractual and other legal obligations.
- the payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

## CHARITABLE DONATIONS

There were no donations to political parties or charitable organisations during the period (2011: £nil).

## FINANCIAL RISK REVIEW

Detailed financial risk management objectives and policies are disclosed in note 22 in the accounts.

## EMPLOYMENT POLICIES

The Group is committed to complying with applicable employment laws in each country in which it operates. The Group is committed 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 conducting its business in a manner which ensures high standards of health and safety for its employees, visitors and the general public.

## AUDITOR

The Auditors, Campbell Dallas LLP, 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 2013*

# Corporate Governance **Report**

## INTRODUCTION

As SpaceandPeople plc is listed on the Alternative Investment Market it 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 compliance 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 comprises five Executive Directors and four Non-Executive Directors whose biographies are presented on pages 18 and 19.

David Henderson-Williams 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 upon. The Board's four 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.

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, Gregor Dunlay, Nancy Cullen and Martin Kemp are scheduled to retire by rotation and have confirmed their willingness to be put forward for re-election at the 2013 Annual General Meeting.

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 |
| D A Henderson-Williams - Non-Executive Chairman | 7 | 6 | 1 | 1 | - | - |
| M J Bending - Chief Executive Officer | 7 | 7 | - | - | - | - |
| N J Cullen - Chief Operating Officer | 7 | 7 | - | - | - | - |
| G R Dunlay - Chief Financial Officer | 7 | 7 | - | - | - | - |
| M D Kemp - Executive Director | 7 | 7 | - | - | - | - |
| C G Stainforth - Director | 7 | 6 | - | - | 2 | 2 |
| R A Chadwick - Non-Executive Director | 7 | 7 | 1 | 1 | 2 | 2 |
| M H Helfgott - Non-Executive Director | 7 | 7 | 1 | 1 | 2 | 2 |
| A P Stirling - Non-Executive Director | 7 | 4 | - | - | - | - |

## AUDIT COMMITTEE

The Audit Committee, comprising Richard Chadwick (Chairman), Christopher Stainforth and Maurice Helfgott was established during 2012. 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 in order 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.

# Remuneration **Report**

## REMUNERATION COMMITTEE

The Group has a Remuneration Committee comprising three Non-Executive Directors, Richard Chadwick (chairman), Maurice Helfgott and David Henderson-Williams.

The Committee's main role and responsibilities are as follows:

- 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;
- to review the ongoing appropriateness and relevance of the remuneration policy;
- to approve any performance related pay schemes and approve the total annual payments made under such schemes; and
- to 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 individual's personal pension plans are payable by the Group at the rate of 5% of the individual Director's basic salary.
- Share options - The Group operates a share option plan for both Executive Directors and employees. Further details of the plan and outstanding options as at 31 December 2012 are given in note 26 to the financial statements.
- Other benefits - The Executive Directors are entitled to life insurance cover and to join the Group's Private Medical Insurance scheme.

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 fees | Bonus | Benefits | Pension contributions | 2012 | 2011 |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| David Henderson-Williams | 15,000 | - | - | - | 15,000 | 10,000 |
| Matthew Bending | 133,250 | 10,000 | 1,638 | 4,997 | 149,885 | 132,128 |
| Nancy Cullen | 112,750 | 10,000 | 1,090 | 4,356 | 128,196 | 101,719 |
| Gregor Dunlay | 102,500 | 10,000 | 1,309 | 3,844 | 117,653 | 92,975 |
| Martin Kemp | 123,000 | 10,000 | 2,377 | 4,612 | 139,989 | 122,377 |
| Christopher Stainforth | 25,000 | - | - | - | 25,000 | 25,000 |
| Richard Chadwick | 15,000 | - | - | - | 15,000 | 15,000 |
| Maurice Helfgott | 25,000 | - | - | - | 25,000 | 25,000 |
| Fred Stirling | 12,000 | - | - | - | 12,000 | 8,000 |
| | **563,500** | **40,000** | **6,414** | **17,809** | **627,723** | **532,199** |

** paid to Amery Capital Ltd*
*** paid to Friars Management Services Ltd*

## DIRECTORS' INTERESTS IN SHARES

The interests of the Directors in the shares of the Company at 31 December 2012, together with their interests at 31 December 2011, were as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| David Henderson-Williams | 40,000 | 40,000 |
| Matthew Bending | 2,064,500 | 2,064,500 |
| Nancy Cullen | 1,533,000 | 1,533,000 |
| Martin Kemp | 198, 064 | 198,064 |
| Richard Chadwick | 42,500 | 42,500 |
| Maurice Helfgott | 1,033,894 | 1,033,894 |
| Christopher Stainforth | - | 128,984 |
| Fred Stirling | 985,818 | 985,818 |

## DIRECTORS' INTERESTS IN SHARE OPTIONS

The interests of the Directors at 31 December 2012 in options over the ordinary shares of the Company were as follows:

| | At 31 December 2011 | Granted | Exercised | Surrendered | Lapsed | At 31 December 2012 | Exercise Price | Date of Grant | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|
| David Henderson-Williams | 25,000 | | - | - | - | 25,000 | 65p | 5/9/2006 | 5/9/2009 | 5/9/2013 |
| Matthew Bending | - | 120,000 | - | - | - | 120,000 | 70p | 27/3/2012 | 27/3/2015 | 27/3/2022 |
| Nancy Cullen | - | 120,000 | - | - | - | 120,000 | 70p | 27/3/2012 | 27/3/2015 | 27/3/2022 |
| Gregor Dunlay | - | 120,000 | - | - | - | 120,000 | 70p | 27/3/2012 | 27/3/201 | 27/3/2022 |
| Martin Kemp | - | 120,000 | - | - | - | 120,000 | 70p | 27/3/2012 | 27/3/2015 | 27/3/2022 |
| Christopher Stainforth | 193,499 | - | - | - | - | 193,499 | 88.6p | 22/10/2009 | 1/11/2012 | 31/10/2014 |
| | 56,501 | - | - | - | - | 56,501 | 88.6p | 22/10/2010 | 1/11/2013 | 31/10/2015 |
| | 138,164 | - | - | - | - | 138,164 | 88.6p | 21/5/2010 | 1/11/2013 | 31/10/2015 |
| | 194,665 | - | - | - | - | 194,665 | 88.6p | 21/5/2010 | 1/11/2014 | 31/10/2016 |
| | 582,829 | - | - | - | - | 582,829 | | | | |

*All of these share options, with the exception of those granted to David Henderson-Williams, are subject to performance criteria.*

Richard Chadwick, Chairman of the Remuneration Committee
*22 March 2013*

# SpaceandPeoplePlus (S&P+)
# Tools and Services

SpaceandPeoplePlus offers the experiential agency sector tools and services to maximise the effectiveness of campaigns

## BACKGROUND

SpaceandPeoplePlus is a compelling new offering to the experiential industry, a full media owner service which builds on the destination media service currently offered by SpaceandPeople, expanding into all the different venue and outsourced sectors purchased by the experiential marketing industry. It will provide a one stop shop for venue and general procurement sourcing. The company aims to fill a void in brand experience, namely the lack of an industry representative body to market the experiential channel, showing how to drive value from it, and build share for it. Marketed correctly, the experiential marketing sector should be getting a greater share of budget in integrated marketing campaigns.

SpaceandPeoplePlus aims to educate agencies on how to target and connect with a group of consumers known as Conversation Catalysts, the most influential and connected group in the populace who make up 7.6 per cent of the UK population and are the most influential for establishing long-term brand value via word of mouth. In addition, the company is aiming to consolidate industry purchasing to effectively drive cost down and quality up, growing the market through lowering the cost of client entry.

This strategy grows the market, grows SpaceandPeople's venue share within it and diversifies SpaceandPeople's service delivery from the current 5% mall specific venue sales element of budget, into the balance of 60% of spend outsourcing that is driven from this market. The market is estimated to be worth £400m.

A sophisticated online campaign planner and one point purchasing system is available via the website, offering agencies integrated planning and sourcing systems, saving human resource and driving efficiency. This includes an ever expanding database of venue metrics, demographics and industry research, providing a unique platform of expertise for planners and buyers to tap into.

The service also aims to raise standards for the industry by offering industry specific, accredited training, initially to drivers specialising in the event and experiential sector to ensure legal obligations are met, agencies are using top quality professionals, and maximum logistical efficiencies are driven.

## CHALLENGES

The current challenge is to raise awareness of the imbalance between the consistently increasing dominance of brand conversations face-to-face in recent years and the comparably low budget share of experiential marketing (the total media market is c£16bn), making it a relatively untapped market. Conversation Catalysts are the key to this as brands that reach out to them will see long-term gains, helping to justify the higher cost per contact that brand experience brings compared to other media channels.

## SUCCESS SO FAR

SpaceandPeoplePlus has already secured cooperation with a range of core industry suppliers and is aggressively expanding that list. In addition, 27 agencies put the systems on trial in the first week after launch.

## PLANS FOR FUTURE

As the company is very much in its infancy, the key focus in the coming months is to:

- Educate buyers in the benefits of targeting Conversation Catalysts effectively.
- Gain standard use of the company systems industry wide.
- Engage as broad a group of suppliers as possible, facilitating a one stop shop.

# Independent Auditor's **Report**

**TO THE SHAREHOLDERS OF SPACEANDPEOPLE PLC**

We have audited the financial statements of SpaceandPeople plc for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of Companies Act 2006.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 an explanation we require for our audit.

Campbell Dallas LLP.

Donald Boyd
(Senior Statutory Auditor)
for and on behalf of Campbell Dallas LLP
Chartered Accountants & Statutory Auditors
Titanium 1, King's Inch Place,
Renfrew, PA4 8WF

*22 March 2013*

## CONSOLIDATED GROUP STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **13,055** | **10,660** |
| Administration expenses | | (10,900) | (8,905) |
| Other operating income | | 216 | 73 |
| **Operating profit before non-recurring costs** | 4 | **2,371** | **1,828** |
| Non-recurring costs | 5 | - | (95) |
| **Operating profit** | 6 | **2,371** | **1,733** |
| Finance costs | 8 | (97) | (145) |
| **Profit before taxation** | | **2,274** | **1,588** |
| Taxation | 9 | (678) | (397) |
| **Profit after taxation** | | **1,596** | **1,191** |
| **Other comprehensive income** | | | |
| Foreign exchange differences on translation of foreign operations | | (29) | (49) |
| **Total comprehensive income for the period** | | **1,567** | **1,142** |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | 1,654 | 1,191 |
| Non-controlling interests | | (58) | - |
| | | **1,596** | **1,191** |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the Company | | 1,625 | 1,142 |
| Non-controlling interests | | (58) | - |
| **Total comprehensive income for the period** | | **1,567** | **1,142** |
| **Earnings per share** | 26 | | |
| Basic – before non-recurring costs | | 8.50p | 6.49p |
| Basic – after non-recurring costs | | 8.50p | 6.13p |
| Diluted – before non-recurring costs | | 7.78p | 6.09p |
| Diluted – after non-recurring costs | | 7.78p | 5.75p |

## CONSOLIDATED GROUP STATEMENT OF FINANCIAL POSITION

Company number SC212277

| | Notes | 31 December '12<br>£'000 | 31 December '11<br>£'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Goodwill | 12 | 8,225 | 7,981 |
| Investment in associates | 13 | - | 156 |
| Other intangible assets | 14 | 20 | 26 |
| Property, plant & equipment | 15 | 1,362 | 1,220 |
| | | **9,607** | **9,383** |
| **Current assets:** | | | |
| Trade & other receivables | 17 | 3,839 | 3,015 |
| Cash & cash equivalents | 18 | 2,019 | 1,433 |
| | | **5,858** | **4,448** |
| **Total assets** | | **15,465** | **13,831** |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Trade & other payables | 19 | 5,069 | 4,219 |
| Current tax payable | 19 | 289 | 246 |
| Other borrowings | 20 | 455 | 738 |
| | | **5,813** | **5,203** |
| **Non-current liabilities:** | | | |
| Deferred tax liabilities | 16 | 10 | 10 |
| Long-term loan | 21 | 730 | 958 |
| | | **740** | **968** |
| **Total liabilities** | | **6,553** | **6,171** |
| **Net assets** | | **8,912** | **7,660** |
| **Equity** | | | |
| Share capital | 24 | 194 | 194 |
| Share premium | | 4,830 | 4,816 |
| Special reserve | | 233 | 233 |
| Retained earnings | | 3,478 | 2,417 |
| **Equity attributable to owners of the Company** | | **8,735** | **7,660** |
| Non-controlling interest | | **177** | **-** |
| **Total equity** | | **8,912** | **7,660** |

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2013.
Signed on behalf of the Board of Directors by

Matthew Bending - Director

## CONSOLIDATED GROUP STATEMENT OF CASH FLOWS

| | Notes | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | 3,001 | 2,738 |
| Interest paid | | (97) | (145) |
| Taxation | | (635) | (458) |
| **Net cash inflow from operating activities** | | **2,269** | **2,135** |
| | | | |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 14 | (30) | (4) |
| Purchase of property, plant & equipment | 15 | (424) | (745) |
| **Net cash (outflow) from investing activities** | | **(454)** | **(749)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 14 | - |
| Funding costs on acquisition of subsidiary, net of cash received | | (168) | - |
| Repayment of bank loan / loan notes | | (463) | (1,977) |
| New bank facility received | | 235 | 265 |
| Dividends paid | 11 | (564) | (505) |
| **Net cash (outflow) from financing activities** | | **(946)** | **(2,217)** |
| | | | |
| **Increase / (decrease) in cash and cash equivalents** | | **869** | **(831)** |
| Cash and cash equivalents at beginning of period | | 1,150 | 1,981 |
| **Cash and cash equivalents at end of period** | 18 | **2,019** | **1,150** |
| | | | |
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Operating profit | | 2,371 | 1,733 |
| Amortisation of intangible assets | 14 | 36 | 66 |
| Depreciation of property, plant & equipment | 15 | 310 | 191 |
| Effect of foreign exchange rate moves | | (29) | (49) |
| (Increase) / decrease in receivables | | (497) | (373) |
| Increase / (decrease) in payables | | 810 | 1,170 |
| **Cash flow from operating activities** | | **3,001** | **2,738** |

## GROUP STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Share premium £'000 | Special reserve £'000 | Retained earnings £'000 | Non-controlling interest £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|
| **At 31 December 2010** | **194** | **4,816** | **233** | **1,780** | **-** | **7,023** |
| **Comprehensive income:** | | | | | | |
| Foreign currency translation | - | - | - | (49) | - | (49) |
| Profit for the period | - | - | - | 1,191 | - | 1,191 |
| **Total comprehensive income** | **-** | **-** | **-** | **1,142** | **-** | **1,142** |
| **Transactions with owners:** | | | | | | |
| Dividends paid | - | - | - | (505) | - | (505) |
| **Total transactions with owners** | **-** | **-** | **-** | **(505)** | **-** | **(505)** |
| **At 31 December 2011** | **194** | **4,816** | **233** | **2,417** | **-** | **7,660** |
| **Comprehensive income:** | | | | | | |
| Foreign currency translation | - | - | - | (29) | - | (29) |
| Profit for the period | - | - | - | 1,654 | (58) | 1,596 |
| **Total comprehensive income** | **-** | **-** | **-** | **1,625** | **(58)** | **1,567** |
| Shares issued | - | 14 | - | - | - | 14 |
| Dividends paid | - | - | - | (564) | - | (564) |
| Minority interest on acquistion | - | - | - | - | 235 | 235 |
| | **-** | **14** | **-** | **(564)** | **235** | **(315)** |
| **At 31 December 2012** | **194** | **4,830** | **233** | **3,478** | **177** | **8,912** |

## NOTES TO THE GROUP FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

### 2. BASIS OF PREPARATION

The Group's financial statements for the period ended 31 December 2012 and for the comparative period ended 31 December 2011 have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those part of the Companies Act 2006 applicable to companies reporting under IFRS.

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

#### Future accounting developments

#### New and revised IFRSs affecting amounts reported in the current period (and/or prior periods)

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements.

#### New and revised IFRSs affecting presentation and disclosure only

| Title | Implementation | Effect on Group |
|---|---|---|
| Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income | 1 July 2012 | None |

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

| Title | Implementation | Effect on Group |
|---|---|---|
| Amendment to IAS 12, 'Income taxes', on deferred tax | 1 January 2012 | None |

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

| Title | Implementation | Effect on Group |
|---|---|---|
| IAS 19 - Amendment to 'Employee benefits' | Annual periods beginning on or after 1 January 2013 | None |
| IAS 27: (Revised 2011) 'Separate financial statements' | Annual periods beginning on or after 1 January 2013 | None |
| IAS 32: Amendments to 'Financial instruments presentation' on asset and liability offsetting | Annual periods beginning on or after 1 January 2014 | None |
| IFRS 9 – Financial instruments | Annual periods beginning on or after 1 January 2015 | None |

| Title | Implementation | Effect on Group |
|---|---|---|
| IFRS 10 - Consolidated financial statements | Annual periods beginning on or after 1 January 2013 | None |
| IFRS 11 - Joint arrangements | Annual periods beginning on or after 1 January 2013 | None |
| IFRS 12 - Disclosure of interests in other entities | Annual periods beginning on or after 1 January 2013 | None |
| IFRS 13 - Fair value measurement | Annual periods beginning on or after 1 January 2013 | None |
| IFRS 7 – Amendments to 'Financial instruments: Disclosures' on asset and liability offsetting | Annual periods beginning on or after 1 January 2013 | None |

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

## 3. ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### Business combinations

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

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

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

### Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss of goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

### Investments in subsidiaries

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

### Investments in associates

The results, assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where there is no material difference between the cost of investment in an associate and the Group's share of its net assets no adjustment is made and the associate is carried at cost.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS36 Impairment of Assets as a single asset by comparing its recoverable amount (higher value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## 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 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

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

Royalties
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight line basis over the period of the agreement.

## Interest income

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

## Leasing

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

## Property, plant & equipment

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

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

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

## Intangible assets

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

Foreign development
The Group capitalises costs relating to the development of its process and service in certain foreign markets. Costs are only capitalised where the Group considers that there is a clearly definable project and in each case a process is separately identifiable which has its own individual value. Costs are capitalised in relation to countries where there is a reasonable expectation that future revenues will exceed capitalised costs. Where the criteria for capitalisation are not met, costs are written off in the year incurred. Capitalised costs are written off over five years.

Patents and trademarks

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

Impairment of non-current assets

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

## Leasing commitments

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

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

## Taxation

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

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

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

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

## Foreign exchange

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

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

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

### Financial instruments

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

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

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

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

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

### Share based payments

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

### Pensions

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

### Critical accounting judgements and estimates

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

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

### Borrowing costs

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

## 4. SEGMENTAL REPORTING

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

The following tables present revenues, results and asset and liability information regarding the Group's two business segments - Promotional Sales and Retail, split by geographic area. Prior Year comparatives have been restated to disclosed Head Office costs separately:

## SEGMENT REVENUES AND RESULTS

| Segment revenues and results for 12 months to 31 December'12 | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Head Office £'000 | Other £'000 | Group £'000 |
|---|---|---|---|---|---|---|---|
| **Continuing operations revenue** | **3,269** | **1,958** | **5,739** | **1,967** | **-** | **122** | **13,055** |
| Administrative expenses | (1,928) | (1,224) | (4,447) | (1,743) | (1,246) | (312) | (10,900) |
| Other revenue | - | 32 | - | 113 | - | 71 | 216 |
| **Segment operating profit / (loss)** | **1,341** | **766** | **1,292** | **337** | **(1,246)** | **(119)** | **2,371** |
| Finance costs | (8) | - | (89) | - | - | - | (97) |
| **Segment profit / (loss) before taxation** | **1,333** | **766** | **1,203** | **337** | **(1,246)** | **(119)** | **2,274** |

| Segment assets and liabilities as at 31 December '12 | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Other £'000 | Group £'000 |
|---|---|---|---|---|---|---|
| Total segment assets | 6,254 | 1,676 | 5,736 | 1,691 | 559 | 15,916 |
| Total segment liabilities | (1,822) | (710) | (3,012) | (1,387) | (73) | (7,004) |
| **Total net assets** | **4,432** | **966** | **2,724** | **304** | **486** | **8,912** |

| Segment revenues and results for 12 months to 31 December'11 | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Other £'000 | Group £'000 |
|---|---|---|---|---|---|---|
| **Continuing operations revenue** | **2,440** | **1,218** | **6,125** | **877** | **-** | **10,660** |
| Administrative expenses | (1,706) | (719) | (4,513) | (835) | - | (1,132) |
| Other revenue | - | 11 | - | 62 | - | 73 |
| **Segment operating profit / (loss)** | **734** | **510** | **1,612** | **104** | **(1,132)** | **1,828** |
| Non-recurring costs | (33) | (62) | - | - | - | (95) |
| **Segment operating profit / (loss)** | **701** | **448** | **1,612** | **104** | **(1,132)** | **1,733** |
| Finance costs | (41) | - | (104) | - | - | (145) |
| **Segment profit / (loss) before taxation** | **660** | **448** | **1,508** | **104** | **(1,132)** | **1,588** |

| Segment assets and liabilities as at 31 December '11 | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Group £'000 |
|---|---|---|---|---|---|
| Total segment assets | 7,757 | 1,413 | 3,447 | 1,214 | 13,831 |
| Total segment liabilities | (2,242) | (214) | (3,213) | (502) | (6,171) |
| **Total net assets** | **5,515** | **1,199** | **234** | **712** | **7,660** |

## 5. NON-RECURRING COSTS

No expenses relating to the prior year have been charged against current year income.

In the prior period, non-recurring costs of £94,870 related to the restructuring of the UK business following the acquisition of Retail Profile Holdings Limited (£12,322) and prior year costs charged against current year income (£82,548).

## 6. OPERATING PROFIT

The operating profit is stated after charging:

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| Motor vehicle leasing | 35 | 35 |
| Property leases | 203 | 184 |
| Amortisation of intangible assets | 36 | 66 |
| Depreciation of property, plant and equipment | 310 | 191 |
| | **584** | **476** |
| Auditor's remuneration: | | |
| Fees payable for: | | |
| Audit of Company | 20 | 22 |
| Audit of subsidiary undertakings | 10 | 11 |
| Tax services | 3 | 4 |
| Other services | 26 | 15 |
| | **59** | **52** |
| Directors' remuneration | **633** | **532** |

## 7. STAFF COSTS

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

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| Executive Directors | 6 | 5 |
| Administration | 20 | 20 |
| Telesales | 43 | 34 |
| Commercial | 20 | 16 |
| Maintenance | 10 | 6 |
| | **99** | **81** |

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| Wages and salaries | 3,642 | 2,926 |
| Social Security costs | 428 | 332 |
| Pensions | 18 | - |
| | **4,088** | **3,258** |

Details of Directors' emoluments, including details of share option schemes are given in the remuneration report on pages 28 to 30. These disclosures form part of the audited financial statements of the Group.

## 8. FINANCE INCOME AND COSTS

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| Finance costs: | | |
| Interest payable | **(97)** | **(145)** |

## 9. TAXATION

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| UK corporation tax: | | |
| Corporation tax | 334 | 408 |
| Adjustment in respect of prior period | (20) | (219) |
| Foreign tax: | | |
| Current tax on foreign income for the period | 364 | 27 |
| Deferred tax: | | |
| Relating to the origination of timing differences | - | 181 |
| **Income tax expense as reported in the Income Statement** | **678** | **397** |

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

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | 2,332 | 1,588 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%) | | |
| Jan – Mar 2011:28% | | 421 |
| Apr – Dec 2011: 26% | | |
| Jan – Mar 2012: 26% | 571 | |
| Apr – Dec 2012: 24% | | |
| Tax effect of: | | |
| - Expenses not deductible for tax purposes | 13 | - |
| - Difference due to foreign taxation rates | 94 | (7) |
| - Deferred tax | - | (17) |
| **Income tax expense as reported in the Income Statement** | **678** | **397** |

## 10. PROFIT FOR THE PERIOD

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The Group profit for the period includes a Company profit after tax and before dividends of £382,418 after the incorporation of all UK head office costs (2011: £202,276) which is dealt with in the financial statements of the parent Company.

## 11. DIVIDENDS

| | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|
| Paid during the period | 564 | 505 |
| Recommended final dividend | 681 | 564 |

Equity – 2.90p per ordinary share proposed and paid for 2011. Recommended final dividend for 2012 –3.50p per ordinary share.

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

## 12. GOODWILL

| **Cost** | £'000 |
|---|---|
| At 31 December 2010 | 7,981 |
| Additions | - |
| At 31 December 2011 | 7,981 |
| Additions | 244 |
| **At 31 December 2012** | **8,225** |
| | |
| **Accumulated impairment losses** | |
| At 31 December 2010 | - |
| Charge for the period | - |
| At 31 December 2011 | - |
| Charge for the period | - |
| **At 31 December 2012** | **-** |
| | |
| **Net book value** | |
| At 31 December 2010 | 7,981 |
| At 31 December 2011 | 7,981 |
| **At 31 December 2012** | **8,225** |

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination. The Directors consider that the business of Retail Profile Holdings Limited is an identifiable CGU and the carrying amount of Goodwill is allocated against this CGU. No amortisation of the carrying value has been occurred at the financial statement review date. Goodwill for Retail Profile Holdings Limited remains unchanged at £7,981k.

The recoverable amount of the cash-generating unit is determined on a value in use calculation which uses cash flow projections based on financial budgets approved by the Board covering a 20 year period and a discount rate of 6% per annum. Cash flow projections during the budget period are based on a steady 5% growth in EBITDA which the Directors consider to be very conservative given the plans for the business and the potential increased returns. The Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. The discounted cash flows exceed the carrying value in Year 4.

On 4 June 2012, SpaceandPeople India Pvt Ltd, a company that was until this date an associated company of SpaceandPeople plc, issued a further 250,000 shares. This increased the total issued share capital of SpaceandPeople India Pvt Ltd to 1,083,642 shares. As a result of shares acquired at that time, the Company's shareholding increased to 564,973 shares. This represents 52.14% of SpaceandPeople India Pvt Ltd issued share capital and with effect from 4 June 2012; SpaceandPeople India Pvt Ltd became a subsidiary of the SpaceandPeople Group.

Since 4 June 2012, SpaceandPeople has acquired a further 112,380 shares in SpaceandPeople India Pvt Ltd, bringing its total shareholding to 677,353 shares, representing 62.51% of the issued share capital.

The fair value of the assets and liabilities of SpaceandPeople India Pvt Ltd recognised as a result of the acquisition are as follows:

| | £'000 |
|---|---|
| Cash | 284 |
| Property, plant and equipment | 28 |
| Receivables | 327 |
| Payables | (56) |
| **Net identifiable assets acquired** | **583** |
| Less fair value of non-controlling interest | (219) |
| **Fair value of assets acquired** | **364** |
| | |
| **Fair value of consideration** | **608** |
| Goodwill | 244 |

Prior to the acquisition of shares on 4 June 2012, the Company carried the investment in SpaceandPeople India Pvt Limited at £156k. The shares in June were acquired for £452k. The total cost and fair value of the consideration of the controlling interest at 30 June 2012 was £608k.

## 13. INVESTMENT IN ASSOCIATES

Details of the Group's associates at the end of the reporting period are as follows:

| Name of associate | Principal activity | | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Company |
|---|---|---|---|---|
| | | | 31 Dec'12 | 31 Dec'11 |
| SpaceandPeople (Hong Kong)Limited | Dormant | Hong Kong | 35.3% | 35.3% |
| SpaceandPeople (India) Limited (Now subsidiary company) | Media | India | 0% | 44.6% |

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| SpaceandPeople (Hong Kong) Limited | - | - |
| SpaceandPeople (India) Limited | - | 156 |
| | **-** | **156** |

Summarised financial information in respect of the Group's associates is set out below.

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| Revenue | - | 507 |
| Profit / (loss) | - | 68 |
| | 31 December '12 | 31 December '11 |
| | £'000 | £'000 |
| Total assets | - | 499 |
| Total liabilities | - | (149) |
| | | |
| **Net assets** | **-** | **350** |
| | | |
| Group's share of net assets of associates | | |
| SpaceandPeople (Hong Kong) Limited | - | - |
| SpaceandPeople (India) Limited | - | 156 |
| | **-** | **156** |

## 14. OTHER INTANGIBLE ASSETS

| **Cost** | Website development £'000 | Product development £'000 | Patents & trademarks £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2010 | 284 | 137 | 6 | 427 |
| Additions | - | - | 4 | 4 |
| At 31 December 2011 | 284 | 137 | 10 | 431 |
| Additions | - | - | 30 | 30 |
| **At 31 December 2012** | **284** | **137** | **40** | **461** |

| **Amortisation** | Website development £'000 | Product development £'000 | Patents & trademarks £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2010 | 247 | 86 | 6 | 339 |
| Charge for the period | 27 | 38 | 1 | 66 |
| At 31 December 2011 | 274 | 124 | 7 | 405 |
| Charge for the period | 10 | 13 | 13 | 36 |
| **At 31 December 2012** | **284** | **137** | **20** | **441** |

| **Net book value** | Website development £'000 | Product development £'000 | Patents & trademarks £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2010 | 37 | 51 | - | 88 |
| At 31 December 2011 | 10 | 13 | 3 | 26 |
| **At 31 December 2012** | **-** | **-** | **20** | **20** |

## 15. PROPERTY, PLANT AND EQUIPMENT

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

| **Cost** | Plant & equipment £'000 | Fixture & fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2010 | 617 | 217 | 149 | 983 |
| Additions | 681 | 8 | 56 | 745 |
| At 31 December 2011 | 1,298 | 225 | 205 | 1,728 |
| Acquired on acquisition | 28 | - | - | 28 |
| Additions | 319 | 30 | 75 | 424 |
| **At 31 December 2012** | **1,645** | **255** | **280** | **2,180** |

| **Depreciation** | Plant & equipment £'000 | Fixture & fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2010 | 84 | 106 | 127 | 317 |
| Charge for the period | 138 | 30 | 23 | 191 |
| At 31 December 2011 | 222 | 136 | 150 | 508 |
| Charge for the period | 256 | 25 | 29 | 310 |
| **At 31 December 2012** | **478** | **161** | **179** | **818** |

| **Net book value** | Plant & equipment £'000 | Fixture & fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|
| At 31 December 2010 | 533 | 111 | 22 | 666 |
| At 31 December 2011 | 1,076 | 89 | 55 | 1,220 |
| **At 31 December 2012** | **1,167** | **94** | **101** | **1,362** |

## 16. DEFERRED TAX

| | 31 December '12 £'000 | 31 December '11 £'000 |
|---|---|---|
| Deferred tax liability: | | |
| Accelerated capital allowances | 10 | 10 |
| Movement on deferred tax position: | | |
| Opening balance | 10 | 27 |
| Released in the period | - | (17) |
| **Closing balance** | **10** | **10** |

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

## 17. TRADE AND OTHER RECEIVABLES

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| Trade debtors | 3,218 | 2,419 |
| Other debtors | 24 | 27 |
| Prepayments | 400 | 391 |
| Accrued revenue | 197 | 178 |
| Amounts due from related parties | - | - |
| **Total** | **3,839** | **3,015** |

The ageing of trade debtors:

| | Current | 0-30 days | 31-60 days | 61 days | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 31 December '12 | 2,135 | 454 | 268 | 361 | **3,218** |
| 31 December '11 | 909 | 745 | 331 | 434 | **2,419** |

## 18. CASH AND CASH EQUIVALENTS

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| Cash at bank and on hand | 2,019 | 1,433 |
| Bank overdraft | - | (283) |
| | **2,019** | **1,150** |

## 19. TRADE AND OTHER PAYABLES

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| Trade creditors | 504 | 479 |
| Other creditors | 1,571 | 1,401 |
| Social Security and other taxes | 658 | 302 |
| Accrued expenses | 1,896 | 1,391 |
| Deferred income | 440 | 646 |
| **Trade and other payables** | **5,069** | **4,219** |
| | | |
| Corporation tax | 289 | 246 |
| **Total** | **5,358** | **4,465** |

## 20. OTHER BORROWINGS

At 31 December 2012, Retail Profile Holdings Limited had a bank loan of £684,592 (of which £455,004 is included in current liabilities being repayable within 12 months) – See note 22.

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| Bank overdraft | - | 283 |
| Bank loan | 455 | 455 |
| | **455** | **738** |

## 21. NON-CURRENT LIABILITIES

At 31 December 2012, Retail Profile Holdings Limited had a bank loan of £684,592 (2011: £1,417,718) of which £455,004 is included in current liabilities being repayable within 12 months. The loan is repayable in monthly instalments of £37,917 with interest at a fixed rate of 6.5% on £1,000,000 of the loan, and base rate, subject to a cap of 3%, plus a margin of 3% on the balance. The loan note is secured by a fixed and floating charge over the assets of SpaceandPeople and its subsidiaries.

In addition, as at 31 December 2012, SpaceandPeople plc had drawn down £500,000 (2011: £265,000) of its agreed bank facility of £1,000,000. The amount drawn is part of a revolving credit facility with repayment due in July 2014.

## 22. 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, holds net funds, and has an overdraft facility of £1m. The Directors consider the funding structure to be adequate for the Group's current funding requirements.

Borrowing facilities – The Group has an agreed facility of £1m, of which £500k was not utilised at the year end, at a rate of 3.50% over base rate secured by an omnibus guarantee and set off agreement. The facility has not been fully drawn but improves the financial flexibility of the Group. Financial assets – These comprise cash at bank and in hand. All bank deposits are floating rate.

Financial liabilities – These include short-term creditors and a revolving credit facility of £1,000,000 at 3.5% above base rate. See note 21 regarding details of outstanding Retail Profile Holdings Limited loan.

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

## 23. OPERATING LEASE COMMITMENTS

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

| | 31 December '12 | 31 December '11 |
|---|---|---|
| | £'000 | £'000 |
| Within 1 year | 2,253 | 2,294 |
| Between 2 and 5 years inclusive | 3,534 | 3,825 |
| Greater than 5 years | - | 41 |

## 24. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid | | | 31 December '12 | 31 December '11 |
|---|---|---|---|---|
| Class | Nominal value | | | |
| Ordinary | 1p | £ | 194,581 | 194,311 |
| | | Number | 19,458,063 | 19,431,063 |

27,000 shares were issued in the year as part of the excercise of share options.

## 25. 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 of the activities of the Group either 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 28 to 30.

## 26. EARNINGS PER SHARE

| | 12 months to 31 December '12 pence per share | 12 months to 31 December '11 pence per share |
|---|---|---|
| Basic earnings per share | | |
| Before non-recurring costs | 8.50 | 6.49 |
| After non-recurring costs | 8.50 | 6.13 |
| | | |
| Diluted earnings per share | | |
| Before non-recurring costs | 7.78 | 6.09 |
| After non-recurring costs | 7.78 | 5.75 |

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

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

| | 12 months to 31 December '12 £'000 | 12 months to 31 December '11 £'000 |
|---|---|---|
| Basic earnings per share | | |
| Profit after tax for the period excluding non-recurring costs attributable to the owners of the Company | 1,654 | 1,261 |
| Profit after tax for the period including non-recurring costs attributable to the owners of the Company | 1,654 | 1,191 |

| | 12 months to 31 December '12 £'000 | 12 months to 31 December '11 £'000 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 19,440 | 19,431 |

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

| Diluted earnings per share | 12 months to 31 December '12 £'000 | 12 months to 31 December '11 £'000 |
|---|---|---|
| Profit after tax for the period excluding non-recurring costs attributable to the owners of the Company | 1,654 | 1,261 |
| Profit after tax for the period including non-recurring costs attributable to the owners of the Company | 1,654 | 1,191 |

| | 12 months to 31 December '12 £'000 | 12 months to 31 December '11 £'000 |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 21,271 | 20,712 |

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

| | 12 months to 31 December '12 £'000 | 12 months to 31 December '11 £'000 |
|---|---|---|
| Weighted average number of shares in issue during the period | 19,440 | 19,431 |
| 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 | 1,831 | 1,281 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 21,271 | 20,712 |

## 27. SHARE OPTIONS

The Group has established a share option scheme under which the maximum number of ordinary shares exercisable that can be granted is restricted to such number of shares the aggregate market value of which cannot exceed £120,000 per employee at the date of grant. Senior executives and certain eligible employees are entitled to participate in the scheme at the discretion of the Board which is advised on such matters by the Remuneration Committee.

In aggregate, share options have been granted under the share option scheme over 1,983,076 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 |
|---|---|---|---|
| 5 September 2006 | 25,000 | 5 September 2009 –5 September 2013 | 65p |
| 30 October 2006 | 20,500 | 30 October 2009 – 29 October 2013 | 75p |
| 16 January 2008 | 11,611 | 16 January 2011 – 15 January 2015 | 155p |
| 14 January 2009 | 28,000 | 14 January 2012 – 13 January 2016 | 50p |
| 1 June 2009 | 12,307 | 1 June 2012 – 30 May 2015 | 65p |
| 22 October 2009 | 386,998 | 1 November 2012 – 31 October 2013 | 88.6p |
| 22 October 2009 | 113,002 | 1 November 2013 – 31 October 2014 | 88.6p |
| 21 May 2010 | 276,328 | 1 November 2013 – 31 October 2014 | 88.6p |
| 21 May 2010 | 389,330 | 1 November 2014 – 31 October 2015 | 88.6p |
| 27 March 2012 | 720,000 | 27 March 2015 – 27 March 2022 | 70p |

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

| | 12 months to 31 December '12 | 12 months to 31 December '11 |
|---|---|---|
| Number of options outstanding as at the beginning of the period | 1,281,076 | 1,281,076 |
| Granted | 730,000 | - |
| Exercised | (27,000) | - |
| Forfeited | (1,000) | - |
| **Number of options outstanding as at the end of the period** | **1,983,076** | **1,281,076** |

In total, 1,983,076 options were outstanding at 31 December 2012 (1,281,076 at 31 December 2011) with a weighted average exercise price of 81.1p (86.9p at 31 December 2011). Of these, 484,416 were exercisable (71,111 at 31 December 2011) with a weighted average exercise price of 85.6p (79.7p at 31 December 2011).

The Black Scholes model was used to obtain the fair value of the share options. The main assumptions made were as follows:

| | |
|---|---|
| Average option price | 81.1p |
| Average market price at grant of option | 70.0p |
| Expected volatility | 12.9% |
| Average expected vesting period from 31.12.12 | 6.5 years |
| Risk free rate | 1% |
| Dividend yield | 4.57% |

The expected volatility was determined by calculating the historical volatility of the Company's share price over the last year.

Based on these assumptions, the average fair value per option was 1.11p (0.24p at 31 December 2011). The performance related conditions in respect of the 1,885,658 options that are subject to such conditions have been reflected by adjusting the number of options expected to vest based on the likelihood of the performance criteria being met. This reduces the average fair value per option to 0.85p.

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payment, was £19,426.

## COMPANY STATEMENT OF FINANCIAL POSITION

Company number SC212277

| | Notes | 31 December 2012 £'000 | 31 December 2011 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets:** | | | |
| Investment in subsidiaries | 4 | 5,427 | 4,799 |
| Loan notes | 4 | 1,728 | 1,728 |
| Investment in associates | 5 | - | 156 |
| Other intangible assets | 6 | 20 | 26 |
| Property, plant & equipment | 7 | 131 | 88 |
| | | **7,306** | **6,797** |
| **Current assets:** | | | |
| Trade & other receivables | 8 | 3,497 | 2,268 |
| Cash & cash equivalents | 9 | 367 | 191 |
| | | **3,864** | **2,459** |
| **Total assets** | | **11,170** | **9,256** |
| **Liabilities** | | | |
| **Current liabilities:** | | | |
| Trade & other payables | 10 | 5,066 | 2,711 |
| Current tax payable | 10 | (218) | (18) |
| Other borrowings | 11 | - | 283 |
| | | **4,848** | **2,976** |
| **Non-current liabilities:** | | | |
| Long-term loan | 12 | 500 | 265 |
| **Total liabilities** | | **5,348** | **3,241** |
| **Net assets** | | **5,822** | **6,015** |
| **Equity** | | | |
| Share capital | 14 | 194 | 194 |
| Share premium | | 4,830 | 4,816 |
| Special reserve | | 233 | 233 |
| Retained earnings | | 565 | 772 |
| **Shareholders' equity** | | **5,822** | **6,015** |

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2013.
Signed on behalf of the Board of Directors by

Matthew Bending - Director

## COMPANY STATEMENT OF CASH FLOWS

| | Notes | 12 months to December '12 £'000 | 12 months to December '11 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | | 1,587 | 1,543 |
| Interest paid | | (8) | (40) |
| Taxation | | (216) | (214) |
| **Net cash inflow (outflow) from operating activities** | | **1,363** | **1,289** |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 6 | (30) | (4) |
| Purchase of property, plant & equipment | 7 | (90) | (48) |
| Cash paid on acquisition of subsidiary | 4 | (469) | (11) |
| **Net cash (outflow) from investing activities** | | **(589)** | **(63)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 14 | - |
| Funding costs on acquisition of subsidiary | | - | (1,530) |
| Bank loan drawn down in year | 12 | 235 | 265 |
| Dividends paid | | (564) | (505) |
| **Net cash inflow (outflow) from financing activities** | | **(315)** | **(1,770)** |
| **Increase / (decrease) in cash and cash equivalents** | | **459** | **(544)** |
| Cash and cash equivalents at beginning of period | | (92) | 452 |
| **Cash and cash equivalents at end of period** | **9** | **367** | **(92)** |
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Operating profit | | 406 | 301 |
| Amortisation of intangible assets | 6 | 36 | 66 |
| Depreciation of property, plant & equipment | 7 | 38 | 41 |
| Effect of foreign exchange rate moves | | (25) | (32) |
| (Increase) / decrease in receivables | | (1,229) | (304) |
| Increase / (decrease) in payables | | 2,361 | 1,471 |
| **Cash flow from operating activities** | | **1,587** | **1,543** |

## COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share capital £'000 | Share premium £'000 | Special reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|---|---|---|---|---|---|
| **At 31 December 2010** | **194** | **4,816** | **233** | **1,107** | **6,350** |
| **Comprehensive income:** | | | | | |
| Foreign currency translation | - | - | - | (32) | (32) |
| Profit for the period | - | - | - | 202 | 202 |
| **Total comprehensive income** | **-** | **-** | **-** | **170** | **170** |
| **Transactions with owners:** | | | | | |
| Dividends paid | - | - | - | (505) | (505) |
| **Total transactions with owners** | **-** | **-** | **-** | **(505)** | **(505)** |
| **At 31 December 2011** | **194** | **4,816** | **233** | **772** | **6,015** |
| **Comprehensive income:** | | | | | |
| Foreign currency translation | - | - | - | (25) | (25) |
| Profit for the period | - | - | - | 382 | 382 |
| **Total comprehensive income** | **-** | **-** | **-** | **357** | **357** |
| **Transactions with owners:** | | | | | |
| Shares issued | - | 14 | - | - | 14 |
| Dividends paid | - | - | - | (564) | (564) |
| **Total transactions with owners** | **-** | **14** | **-** | **(564)** | **(550)** |
| **At 31 December 2012** | **194** | **4,830** | **233** | **565** | **5,822** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 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 year ended 31 December 2012 and for the comparative period ended 31 December 2011 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 the 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 profit after tax and before dividends of £382k after the incorporation of all UK head office costs (2011: £202k) which is dealt with in the financial statements of the parent Company.

## 4. INVESTMENT IN SUBSIDIARIES

The Company movement in investment in subsidiaries was:

**Cost and net book value**

| | £'000 |
|---|---|
| As at 31 December 2010 | 6,516 |
| Additions | 11 |
| As at 31 December 2011 | 6,527 |
| Additions | 628 |
| **As at 31 December 2012** | **7,155** |

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.

The additions of £11k in 2011 represent the par value of the initial shares issued on incorporation of SpaceandPeople GmbH for a consideration of €12,500. The initial share capital of S&P Consult Limited and MacPherson & Valentine Limited were acquired at par for £1 and £1 respectively in 2011.

The additions of £628k in 2012 represent the initial investment made in SpaceandPeople India Pvt Ltd and the further shareholding taken in 2012 to bring its proportion of ownership to 62.51% - total addition £608k. Further additions of £20k represents further share capital issued in SpaceandPeople GmbH for a consideration of €25,000.

During the year the Company invested in S&P+ Limited. which is a new service offering to experiential agencies giving them the tools and services to maximise the effectiveness of campaigns. This investment was made at nominal value for 51% ownership.

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:

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Company | |
|---|---|---|---|---|
| | | | 31 Dec'12 | 31 Dec'11 |
| MacPherson & Valentine Limited | Licensing of intellectual property | United Kingdom | 100% | 100% |
| SpaceandPeople GmbH | Media | Germany | 100% | 100% |
| Retail Profile Holdings Limited | Leasing of RMUs | United Kingdom | 100% | 100% |
| * Retail Profile Europe 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 | 62.51% | 44.6% |
| S&P+ Limited | Media | United Kingdom | 51% | 0% |

## 5. INVESTMENT IN ASSOCIATES

Details of the Company's associates at the end of the reporting period are as follows:

| Name of associate | Principal activity | Place of incorporation and operation | Proportion of ownership interest and voting powerheld by the Company | |
|---|---|---|---|---|
| | | | 31 December'12 | 31 December'11 |
| SpaceandPeople (Hong Kong) Limited | Dormant | Hong Kong | 35.3% | 35.3% |
| SpaceandPeople (India) Limited (Now subsidiary company) | Media | India | 0% | 44.6% |

| | 31 December '12 £'000 | 31 December '11 £'000 |
|---|---|---|
| SpaceandPeople (Hong Kong) Limited | - | - |
| SpaceandPeople (India) Limited | - | 156 |
| | **-** | **156** |

Summarised financial information in respect of the Company's associates is set out below.

| | 31 December'12 £'000 | 31 December'11 £'000 |
|---|---|---|
| Revenue | - | 507 |
| Profit / (loss) | - | 68 |

| | 31 December'12 £'000 | 31 December'11 £'000 |
|---|---|---|
| Total assets | - | 499 |
| Total liabilities | - | (149) |
| **Net assets** | **-** | **350** |
| Company's share of net assets of associates | | |
| SpaceandPeople (Hong Kong) Limited | - | - |
| SpaceandPeople (India) Limited | - | 156 |
| | **-** | **156** |

### 6. OTHER INTANGIBLE ASSETS

| **Cost** | Website development | Product development | Patents & trademarks | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 31 December 2010 | 284 | 137 | 6 | 427 |
| Additions | - | - | 4 | 4 |
| At 31 December 2011 | 284 | 137 | 10 | 431 |
| Additions | - | - | 30 | 30 |
| **At 31 December 2012** | **284** | **137** | **40** | **461** |

| **Amortisation** | Website development | Product development | Patents & trademarks | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 31 December 2010 | 247 | 86 | 6 | 339 |
| Charge for the period | 27 | 38 | 1 | 66 |
| At 31 December 2011 | 274 | 124 | 7 | 405 |
| Charge for the period | 10 | 13 | 13 | 36 |
| **At 31 December 2012** | **284** | **137** | **20** | **441** |

| **Net Book Value** | Website development | Product development | Patents & trademarks | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 31 December 2010 | 37 | 51 | - | 88 |
| At 31 December 2011 | 10 | 13 | 3 | 26 |
| **At 31 December 2012** | **-** | **-** | **20** | **20** |

### 7. PROPERTY, PLANT AND EQUIPMENT

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

| Cost | Fixture & fittings | Computer equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 31 December 2010 | 160 | 138 | 298 |
| Additions | 8 | 40 | 48 |
| At 31 December 2011 | 168 | 178 | 346 |
| Additions | 16 | 74 | 90 |
| Disposal on subsidiary | (9) | - | (9) |
| **At 31 December 2012** | **175** | **252** | **427** |

| Depreciation | Fixture & fittings | Computer equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 31 December 2010 | 96 | 121 | 217 |
| Charge for the period | 24 | 17 | 41 |
| At 31 December 2011 | 120 | 138 | 258 |
| Charge for the period | 16 | 22 | 38 |
| **At 31 December 2012** | **136** | **160** | **296** |

| Net book value | Fixture & fittings | Computer equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 31 December 2010 | 64 | 17 | 81 |
| At 31 December 2011 | 48 | 40 | 88 |
| **At 31 December 2012** | **39** | **92** | **131** |

### 8. TRADE AND OTHER RECEIVABLES

| | 31 December'12 | 31 December'11 |
|---|---|---|
| | £'000 | £'000 |
| Trade debtors | 1,923 | 2,106 |
| Other debtors | - | 26 |
| Prepayments | 51 | 30 |
| Accrued revenue | - | 19 |
| Amounts due from related parties | 1,523 | 87 |
| **Total** | **3,497** | **2,268** |

The ageing of trade debtors:

| | Current | 0-30 days | 31-60 days | 61 days | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| 31 December '12 | 1,276 | 271 | 160 | 216 | **1,923** |
| 31 December '11 | 791 | 648 | 288 | 379 | **2,106** |

### 9. CASH AND CASH EQUIVALENTS

| | 31 December'12 | 31 December'11 |
|---|---|---|
| | £'000 | £'000 |
| Cash at bank and on hand | 367 | 191 |
| Bank overdraft | - | (283) |
| | **367** | **(92)** |

### 10. TRADE AND OTHER PAYABLES

| | 31 December'12 | 31 December'11 |
|---|---|---|
| | £'000 | £'000 |
| Trade creditors | 61 | 141 |
| Other creditors | 1,551 | 1,397 |
| Social Security and other taxes | 300 | 77 |
| Accrued expenses | 656 | 381 |
| Deferred income | - | 5 |
| Amounts due to related parties | 2,498 | 710 |
| **Trade and other payables** | **5,066** | **2,711** |
| | | |
| Corporation tax | (218) | (18) |
| **Total** | **4,848** | **2,693** |

### 11. OTHER BORROWINGS

| | 31 December'12 | 31 December'11 |
|---|---|---|
| | £'000 | £'000 |
| Bank overdraft | - | 283 |
| | **-** | **283** |

### 12. NON-CURRENT LIABILITIES

As at 31 December 2012, SpaceandPeople plc. had drawn down £500,000 (2011: £265,000) of its agreed bank facility of £1,000,000. The amount drawn is part of a revolving credit facility with repayment due in July 2014.

Company bank borrowings are secured by an unlimited debenture incorporating a bond and floating charge.

### 13. OPERATING LEASE COMMITMENTS

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

| | 31 December'12 | 31 December'11 |
|---|---|---|
| | £'000 | £'000 |
| Within 1 year | 158 | 50 |
| Between 2 and 5 years inclusive | 424 | 280 |
| Greater than 5 years | - | 41 |

14. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid | | | 31 December '12 | 31 December '11 |
|---|---|---|---|---|
| Class | Nominal value | | | |
| Ordinary | 1p | £ | 194,581 | 194,311 |
| | | Number | 19,458,063 | 19,431,063 |

27,000 shares were issued in the year as part of the excercise of share options.

### 15. SHARE OPTIONS

Details of the Company's share options are as at note 27 to the Group annual report.

### 16. RELATED PARTY TRANSACTIONS

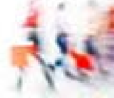
On 2 July 2012 the Company transferred the trade and assets of its German branch to a subsidiary company SpaceandPeople GmbH. The consideration for the net assets was the book value and was settled by the receipt of an additional €25,000 of shares in SpaceandPeople GmbH and an inter-company receivable.

During the year the Company charged Retail Profile Europe Limited, a subsidiary company, £554k in respect of costs incurred on its behalf.

At 31 December 2012, the Company had the following balances with group companies.

| | |
|---|---|
| Amount due from SpaceandPeople GmbH | £969k |
| Amount due from S&P+ Limited | £158k |
| Amount due to Retail Profile Europe Limited | £(2,152k) |





# Company Information

## DIRECTORS:

| | |
|---|---|
| D A Henderson-Williams | Non-Executive Chairman |
| M J Bending | Chief Executive Officer |
| N J Cullen | Chief Operating Officer |
| G R Dunlay | Chief Financial Officer |
| M D Kemp | Executive Director |
| C G Stainforth | Director |
| M H Helfgott | Non-Executive Director |
| R A Chadwick | Non-Executive Director |
| A P Stirling | Non-Executive Director |

| | |
|---|---|
| G R Dunlay | Secretary |

| | |
|---|---|
| Registered office: | 2nd Floor<br>100 West Regent Street<br>Glasgow<br>G2 2QD |
| Registered number: | SC 212277 |
| Nominated advisors and brokers: | Cantor Fitzgerald Europe<br>20 Old Bailey<br>London<br>EC4M 7EN |
| Registrars: | Neville Registrars Limited<br>Neville House<br>18 Laurel Lane<br>Halesowen<br>West Midlands<br>B63 3DA |
| Auditors: | Campbell Dallas LLP<br>Chartered Accountants &<br>Registered Auditors<br>Titanium 1<br>King's Inch Place<br>Glasgow<br>G51 4BP |
| Bankers: | Lloyds TSB Bank plc<br>12 Cavendish Place<br>London<br>W1G 9DJ |
| Solicitors: | Sherrards Solicitors LLP<br>7 Swallow Place<br>London<br>W1B 2AG |

Nancy Cullen, Martin Kemp and Andrew Keiller's headshots: Sam Armstrong @ Headshot Soho
Matt Bending, Gregor Dunlay and Nick Hill: Ian Venart @ Venart
Meadowhall: Antony Oxley Braehead and Buchanan Galleries: Graham Govan @ Photocall White Rose: Simon Vine
Manchester Arndale: James White @ James White Photography

## INTERNATIONAL DESTINATION MEDIA SPECIALISTS

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