SpaceandPeople Annual Report and Accounts / 2011

Report
of the
Directors and
Financial Statements
for period
ended
31 December
2011

SpaceandPeople

Contents •

SpaceandPeople is the market leader for mall promotions and Retail Merchandising Units (RMUs) in the UK and Germany.

Financial Highlights / 2011 •

Revenue up

19% to £10.66mn

on a like for like basis

Operating profit before non-recurring costs up

23% to £1.83mn

on a like for like basis

Basic EPS up

30% to 6.49p

on a like for like basis

Dividend up

30% to 2.90p

on an annualised basis

Largest operator in each of the 4 countries we are present in with

weekly footfall of over 63mn people

in the UK and Germany alone

Strong balance sheet with net assets of

£7.66mn including cash of £1.43mn

on an annualised basis

Chairman's Statement

OVERVIEW

It gives me great pleasure to present the annual results for 2011. This is the first full trading year for the enlarged Group following the acquisition of Retail Profile in May 2010 and the benefits of that acquisition are increasingly apparent.

A major restructuring of the UK sales functions has merged the RMU and promotions teams into eight regional teams, providing closer contact with the clients and a better understanding of their aspirations. New sales methods have improved the RMU revenue and helped drive the UK business forward. The executive team is to be commended for securing some major new contracts such as Land Securities and First Great Western and successfully renewing a number of existing deals.

SpaceandPeople continues to be the market leader for mall promotions and Retail Merchandising Units (RMUs) in the UK and Germany. The German business has benefited from the introduction of RMUs and although the roll-out has been slower than forecast, the revenue yield has surpassed the initial estimates, which bodes well for the future.

The management team continues to explore ways of introducing the business into new markets and I am pleased to report a significant contribution from our Russian licensee partner as well as a maiden profit in our Indian associate.

FINANCIAL RESULTS

Despite challenging economic conditions, trading has been strong across all parts of the business with Group revenues up 19% to £10.66mn and Group operating profit up 23% to £1.83mn, both on a like for like basis, reinforcing the benefits of the Retail Profile acquisition.

Basic non-diluted earnings per share before non-recurring costs were 6.49p compared with an annualised figure of 5.00p for the equivalent period in 2010.

The balance sheet remains strong with £1.43mn of cash at the year end after repayment of £1.98mn of borrowings during the year, including the £1.53mn of vendor loan notes. The Group also has a long term £1mn borrowing facility with Lloyds TSB giving us significant headroom to continue our growth strategy.

PEOPLE

There have been no changes at board level this year and I would like to express my gratitude to all the employees for the enthusiastic way in which they have embraced new working methods. We are fortunate to have such a loyal and committed team. I would like to add a special acknowledgement for Andrew Kinross who celebrated 10 years with the Company earlier this year and is our longest serving employee.

DIVIDEND

Recognising the excellent progress made by the Group, your Board is proposing a dividend of 2.90p per share, an increase of 30% on last year, on an annualised basis, payable on 27 April 2012 to shareholders on the register on 30 March 2012.

OUTLOOK

SpaceandPeople has added a significant number of new venues to the service during the year and now represents over 600 venues in the UK and Germany, up from 374 at the end of last year, with a combined footfall of over 63mn customers a week.

There are challenges to the business in the UK, but the Group is countering these by securing new contracts and expanding into new territories. Consequently we start the year on a positive note and confident of growing revenue and profitability in 2012.

David Henderson-Williams, Chairman
21 March 2012

Group Chief Executive Officer's Review

The past year has been an excellent period for the SpaceandPeople Group. The amalgamation of the UK promotional and retail businesses has gone well and is delivering impressive results, the German businesses are both performing well, while our Indian associate continues to expand at an accelerating rate and is now delivering significant profits.

Overall, every area of the business has made a significant contribution to the record turnover, which is up 19% and profit before tax and one-off costs which is up 23% both on a like for like basis.

During the past year, we have continued to improve the business by increasing the number of venues we cover exclusively, developing strategic partnerships with key complementary businesses and strengthening our relationships with venue owners, promoters and retailers.

UK

Our key objective in 2011 was to complete the integration of the promotions and retail businesses that had previously operated separately as SpaceandPeople and Retail Profile. This was the first year in which Retail Profile had been a part of the Group for the whole year and I am delighted with how well this integration has gone and the results that it is already producing for both the Group and for venue owners. The objective was to present a "one stop shop" to venues that would drive our ability to offer a complete commercialisation solution to them. This integration was completed during 2011 and is already driving additional revenue for venue owners with overall promotional revenues up by 10% compared with like for like 2010 figures and Retail Merchandising Unit (RMU) revenue up by 7% compared with 2010 on a like for like basis. As a result, the overall UK business saw revenue growth of 10% to £8.56mn on a like for like basis compared with 2010. In doing this, we have also addressed the historic decline in RMU rental levels and have increased individual RMU profitability by 9% through utilising the dedicated sales team to create demand and competition for the units. As a result of this, operating profit before non-recurring costs, on a like for like basis, rose by 10% to £1.21mn. We have made a significant investment in venue development and sales staff during 2011 with the average number of employees in this area in the UK increasing from 24 in 2010 to 36 in 2011.

The UK venues stream continues to develop well, both in relation to shopping centres and retail parks, but also in continuing to develop other venues that offer a large and targeted audience and customer base for our promoters and retailers. Central to the expansion into new shopping centres has been the recent agreement of a long-term, exclusive contract to provide RMU and promotional services to Land Securities, the UK's largest real estate investment trust, in their portfolio of shopping centres and retail parks. The ability to provide a unique and bespoke onsite delivery team was key to establishing this partnership. We have also recently joined forces with CBS Outdoor to win the concession to manage experiential and immersive activity campaigns at First Great Western's (FGW) 210 train stations with a weekly footfall of over 2.6mn people. In addition, we have secured a number of other contracts to provide campaigns in a range of diverse venues and now represent 526 venues with a combined footfall of over 40mn customers per week.

The development of our sales and customer services team, our new partnerships and the availability of additional venues means that the Board expects to see continued strong growth in the UK operations in 2012 and the coming years.




GERMANY

The German businesses continue to grow strongly with the original investment now showing strong returns. SpaceandPeople Germany has increased like for like revenues by 10% to £1.22mn and operating profit before non-recurring costs by 42% to £510k compared with the annualised results for 2010. We have also recently expanded their sales and management teams in order to drive business into new venues during the coming year. By the end of 2011, the business managed 86 venues with a weekly combined footfall of almost 16mn people on behalf of ECE, up from 77 venues last year.

Retail Profile Germany, from a standing start at the end of 2010, now has 48 RMUs in place at 10 centres throughout the North and West of Germany. The rate of expansion has been slightly slower than anticipated due to this being a relatively new concept in the German market. However, this has allowed us to define the quality and diversity of the market and as a consequence, achieve a high level of revenue from each RMU. I would like to commend and thank the Retail Profile management and staff for their considerable effort and professionalism in getting the business established with such strong foundations. The speed of roll-out will continue to gather pace in 2012 with the expectation of us having 110 RMUs operating throughout the country by the end of the year.

RUSSIA

Over the past year, great effort has been made by both the SpaceandPeople Group and Retail Profile Russia, the independent Russian company with which we have a licensing agreement, to forge even stronger relations, with both businesses benefiting greatly from the combined experience and knowledge. This relationship will go from strength to strength in the coming years with Retail Profile Russia expected to continue to grow strongly.

INDIA

Our associate business in India, SpaceandPeople (India) in which the Group has a 44.6% interest, saw business growth that resulted in revenue of over £1.7mn to its venue clients in 2011 and made a first annual operating profit before non-recurring costs of £108k. The business is going well and now has a total of 48 staff in 9 cities and continues to grow strongly, both in terms of revenue and profitability and venue numbers with more than 60 centres now represented throughout the country.

PROSPECTS

2011 has been a very strong year for the Group, however, I believe that the foundations laid in the year will lead to even stronger growth and profitability in forthcoming years. We have a stable and experienced team in place throughout and have strong cash reserves and long term facilities with our bankers that will enable us to drive the business forward to even greater results. 2012 has started strongly and the recent announcement of the Group winning a 5 year, exclusive contract for the Land Securities UK property portfolio in March shows how effective the Group has become at being able to meet property owners' commercialisation needs.

Matthew Bending, Chief Executive Officer
21 March 2012

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
R A Chadwick	Non-Executive Director
M H Helfgott	Non-Executive Director
A P Stirling	Non-Executive Director

Company Secretary: G R Dunlay

Registered Office:
2nd Floor, 100 West Regent Street
Glasgow, G2 2QD

Registered Number
SC 212277

Nominated Advisors and Brokers
Seymour Pierce Limited
20 Old Bailey
London, EC4M 7EN

Registrars
Neville Registrars Limited
Neville House, 18 Laurel Lane
Halesowen
West Midlands, B63 3DA

Auditors
Campbell Dallas LLP
Chartered Accountants
& Registered Auditors
Titanium 1
King's Inch Place
Glasgow, G51 4BP

Bankers
Lloyds TSB Bank plc
25 Gresham Street
London, EC2V 7HN

Solicitors
Sherrards Solicitors LLP
7 Swallow Place
London, W1B 2AG

Report of the Directors •

The Directors present their report with the audited financial statements of the Group for the period ended 31 December 2011 •

Principal activity

The principal activity of the Group in the period under review was that of marketing and selling promotional and retail merchandising space on behalf of shopping centres and other venues.

Review of business and future developments

The results for the period and financial position of the Group are as shown in the annexed financial statements. The review of business and summary of future developments are included in the Chairman's Statement and Chief Executive Officer's Review. In continued uncertain market conditions, all areas of the business in both the United Kingdom and abroad have increased revenues and profitability. The UK operations have continued to develop due to the acquisition of new venues and improved customer service. The German promotions business continues its impressive rate of growth and the German retail business has delivered over €1million of sales in its first full year of trading. Income from our Russian licensee partner is strong and continued growth is anticipated.

Business environment

The Group works for property owners, helping them create revenue from common areas by selling the space and opportunity to meet consumers and customers. The Group surveys, markets and sells this space as a media and retail opportunity, receiving commissions and rental for these activities respectively. As the first company to develop the media idea, it has had considerable success in driving sales into these venues and has worked hard at developing processes and strategies to win marketing budgets to utilise this vibrant effective platform. In the current environment, property owners are seeking to maximise revenues, advertisers are looking for value for money from their advertising and marketing budgets and speciality retailers are looking for a cost effective way to engage with a large customer base. SpaceandPeople is well placed to help all these groups achieve their objectives.

Strategy

The business itself is simple and therefore its strategies are simple, sign up more malls and other venues, and sell more advertisers and merchandisers into them. The strategy is finessed by the fact the venues require considerable customer service and this is reflected by transparency of the service in the level of reporting and one to one meetings held with them.

Key performance indicators

SpaceandPeople maintains records of every booking ever undertaken and constantly monitors several key areas;

- sales, against target and prior year;
- profitability, against target and prior year;
- venues, their performance, the pipeline of new venues and venue attrition;
- advertisers/retailers against type, against prior year, and the cycles of the different sectors which are monitored; and
- commission rates and occupancy rates.

Research and development

The Group continuously researches more effective ways of doing business, new products and services to offer customers, and new markets in which to operate. Of key importance is the multi-language, multi-currency e-commerce site that allows sales staff to react quickly to customers' needs, cuts down on administration and allows them to sell more, quicker. This platform is continuously improved using website developers employed by our associate company in India.

Report of the Directors (cont)

Future outlook

The future outlook is strong. The UK business continues to acquire new venues and the restructured sales and venues teams have improved effectiveness and reduced costs. Despite the continued uncertain economic environment, advertiser demand remains strong. Similarly rental income from retail is benefiting from strong demand for prime shopping centres. The German businesses are expected to make further significant contributions in the coming year as growth continues in the promotions business and the RMU business continues its roll-out programme.

Principal risks and uncertainties

The key risks relate to the business environment, market conditions and the retention of key employees. Competing companies may seek to attract venues away from the Group by offering incentives, or mall owners may seek to attract advertisers or merchandisers themselves. Advertisers have recognised the effectiveness of the Group's service and value for money that taking promotional space in one or more venues represents. In addition, the Group offers high standards of customer service through regular meetings with venue owners and managers, each of which has a contract with the Group, setting out the terms and conditions for the provision of services. Retail Profile's major opportunity and therefore risk continues to be the roll-out plan for Retail Profile Europe GmbH in Germany. The business is still new to the German market and securing successful retailers remains key to its success. Key employees are retained and incentivised through uncapped commission rates and the granting of share options.

Dividends

The dividend paid in May 2011 was £505,208 (2010 - £233,132) which was 2.60p per share (2010 - 2.00p per share). The Directors recommend a dividend of £563,501 being 2.90p per share, which will be payable on 27 April 2012 to all shareholders on the share register as at 30 March 2012 subject to approval at the AGM.

Directors

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
R A Chadwick	Non-Executive Director
M H Helfgott	Non-Executive Director
C G Stainforth	Director
A P Stirling	Non-Executive Director

The beneficial interests of the Directors holding office on 31 December 2011 in the issued share capital of the Group were as follows:

Ordinary 1p shares	31 Dec. 2011	31 Dec. 2010
D A Henderson-Williams	40,000	40,000
M J Bending	2,064,500	2,061,000
N J Cullen	1,533,000	1,533,000
M D Kemp	198,064	198,064
R A Chadwick	42,500	42,500
M H Helfgott	1,033,894	1,033,894
C G Stainforth	128,984	128,984
A P Stirling	985,818	985,818

25,000 share options have been issued to D A Henderson-Williams under an unapproved share option scheme with an exercise price of £0.65. A total of 582,829 share options have been issued to C G Stainforth under an unapproved share option scheme with an exercise price of £0.886. No options have been granted to the other Directors.

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	847,052	4.36
Roy Mitchell	680,202	3.50

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

Statement of Director's responsibilities

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of 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 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 Company'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.

Report of the Directors (cont) •



Supplier payment policy

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 charitable organisations during the period.

Corporate governance

The Directors fully support the recommendations of the Combined Code on Corporate Governance, although due to the Group's AIM listed status, there is no requirement to provide Corporate Governance Disclosure. As the Group continues to grow, the Directors will review their compliance with the code from time to time and will adopt such of the provisions as they consider to be appropriate to the size of the Company.

Financial risk review

Detailed financial risk management objectives and policies are disclosed in note 23 in the accounts.

Auditors

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:

Matthew Bending, Chief Executive Officer
21 March 2012

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 2011 which comprise the Statement of Total Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement 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 Directors' Responsibilities Statement set out on page 11, 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 2011 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 and explanations we require for our audit.

Richard M Patterson (Senior Statutory Auditor)
for and on behalf of Campbell Dallas LLP
Chartered Accountants & Registered Auditors

Titanium 1,
King's Inch Place,
Glasgow,
G51 4BP
21 March 2012

Consolidated Group Statement of Comprehensive Income

	Notes	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
Revenue	4	**10,660**	**7,772**
Administration expenses		(8,905)	(6,116)
Other operating income		73	9
Operating profit before non-recurring costs	4	**1,828**	**1,665**
Non-recurring costs	5	(95)	(331)
Operating profit	6	**1,733**	**1,334**
Finance income	8	-	1
Finance costs	8	(145)	(75)
Profit before taxation		**1,588**	**1,260**
Taxation	9	(397)	(415)
Profit after taxation		**1,191**	**845**
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		(49)	(9)
Total comprehensive income for the period		**1,142**	**836**
Earnings per share	27		
Basic – before non-recurring costs		6.49p	7.15p
Basic – after non-recurring costs		6.13p	5.38p
Diluted – before non-recurring costs		6.09p	6.72p
Diluted – after non-recurring costs		5.75p	5.06p

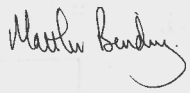
Consolidated Group Statement of Financial Position

Company number SC212277

	Notes	31 December '11 £'000	31 December '10 £'000
Assets			
Non-current assets:			
Goodwill	12	7,981	7,981
Investment in associates	14	156	156
Other intangible assets	15	26	88
Property, plant & equipment	16	1,220	666
Deferred tax assets	17	-	203
		9,383	**9,094**
Current assets:			
Trade & other receivables	18	3,015	2,642
Cash & cash equivalents	19	1,433	1,981
		4,448	**4,623**
Total assets		**13,831**	**13,717**
Liabilities			
Current liabilities:			
Trade & other payables	20	4,219	3,049
Current tax payable	20	246	493
Other borrowings	21	738	1,985
		5,203	**5,527**
Non-current liabilities:			
Deferred tax liabilities	17	10	27
Long term loan	22	958	1,140
		968	**1,167**
Total liabilities		**6,171**	**6,694**
Net assets		**7,660**	**7,023**
Equity			
Share capital	26	194	194
Share premium		4,816	4,816
Special reserve		233	233
Retained earnings		2,417	1,780
Shareholders equity		**7,660**	**7,023**

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2012.

Signed on behalf of the Board of Directors by:



Matthew Bending, Director

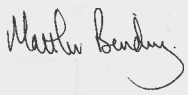
Company Statement of Financial Position

Company number SC212277

	Notes	31 December '11 £'000	31 December '10 £'000
Assets			
Non-current assets:			
Investment in subsidiaries	12, 13	4,799	4,788
Loan notes	12, 13	1,728	1,728
Investment in associates	14	156	156
Other intangible assets	15	26	88
Property, plant & equipment	16	88	81
Deferred tax assets	17	-	203
		6,797	**7,044**
Current assets:			
Trade & other receivables	18	2,268	1,964
Cash & cash equivalents	19	191	452
		2,459	**2,416**
Total assets		**9,256**	**9,460**
Liabilities			
Current liabilities:			
Trade & other payables	20	2,711	1,240
Current tax payable	20	(18)	340
Other borrowings	21	283	1,530
		2,976	**3,110**
Non-current liabilities:			
Long term loan	22	265	-
Total liabilities		**3,241**	**3,110**
Net assets		**6,015**	**6,350**
Equity			
Share capital	26	194	194
Share premium		4,816	4,816
Special reserve		233	233
Retained earnings		772	1,107
Shareholders equity		**6,015**	**6,350**

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2012.

Signed on behalf of the Board of Directors by:



Matthew Bending, Director

Consolidated Group Statement of Cash Flows

	Notes	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
Cash flows from operating activities			
Cash generated from operations		2,738	1,688
Interest paid		(145)	(75)
Taxation		(458)	(210)
Net cash inflow from operating activities		**2,135**	**1,403**
Cash flows from investing activities			
Interest received		-	1
Purchase of intangible asset	15	(4)	(2)
Purchase of property, plant & equipment	16	(745)	(355)
Cash paid on acquisition of subsidiary		-	(1,375)
Cash received on acquisition of subsidiary		-	561
Investment in associates		-	(86)
Net cash (outflow) from investing activities		**(749)**	**(1,256)**
Cash flows from financing activities			
Proceeds from issue of shares		-	1,200
Funding costs on acquisition of subsidiary		-	(185)
Repayment of bank loan / loan note	21	(1,977)	(289)
New bank loan received	22	265	-
Dividends paid	11	(505)	(233)
Net cash inflow (outflow) from financing activities		**(2,217)**	**493**
Increase / (decrease) in cash and cash equivalents		**(831)**	**640**
Cash and cash equivalents at beginning of period		1,981	1,341
Cash and cash equivalents at end of period	**19**	**1,150**	**1,981**
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		1,733	1,334
Amortisation of intangible assets	15	66	82
Depreciation of property, plant & equipment	16	191	147
Effect of foreign exchange rate moves		(49)	(9)
Write off of investment in associate		-	47
(Increase) / decrease in receivables		(373)	(224)
Increase / (decrease) in payables		1,170	311
Cash flow from operating activities		**2,738**	**1,688**

Company Statement of Cash Flows

	Notes	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
Cash flows from operating activities			
Cash generated from operations		1,543	3
Interest paid		(40)	(6)
Taxation		(214)	(130)
Net cash inflow (outflow) from operating activities		**1,289**	**(133)**
Cash flows from investing activities			
Interest received		-	1
Purchase of intangible assets	15	(4)	(2)
Purchase of property, plant & equipment	16	(48)	(76)
Cash paid on acquisition of subsidiary	13	(11)	(1,375)
Investment in associates		-	(86)
Net cash (outflow) from investing activities		**(63)**	**(1,538)**
Cash flows from financing activities			
Proceeds from issue of shares		-	1,200
Funding costs on acquisition of subsidiary	21	(1,530)	(185)
Bank loan drawn down in year		265	-
Dividends paid	11	(505)	(233)
Net cash inflow (outflow) from financing activities		**(1,770)**	**782**
Increase / (decrease) in cash and cash equivalents		**(544)**	**(889)**
Cash and cash equivalents at beginning of period		452	1,341
Cash and cash equivalents at end of period	**19**	**(92)**	**452**
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		301	314
Amortisation of intangible assets	15	66	82
Depreciation of property, plant & equipment	16	41	47
Effect of foreign exchange rate moves		(32)	(9)
Write off of investment in associate		-	47
(Increase) / decrease in receivables		(304)	(546)
Increase / (decrease) in payables		1,471	68
Cash flow from operating activities		**1,543**	**3**

Consolidated Group Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total equity £'000
At 1 November 2009	117	266	233	1,177	1,793
Comprehensive income:					
Foreign currency translation	-	-	-	(9)	(9)
Profit for the period	-	-	-	845	845
Total comprehensive income	-	-	-	836	836
Transactions with owners:					
Shares issued	77	4,735	-	-	4,812
Costs of issuing equity	-	(185)	-	-	(185)
Dividends paid	-	-	-	(233)	(233)
Total transactions with owners	77	4,550	-	(233)	4,394
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

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total equity £'000
At 1 November 2009	117	266	233	1,177	1,793
Comprehensive income:					
Foreign currency translation	-	-	-	(9)	(9)
Profit for the period	-	-	-	172	172
Total comprehensive income	-	-	-	163	163
Transactions with owners:					
Shares issued	77	4,735	-	-	4,812
Costs of issuing equity	-	(185)	-	-	(185)
Dividends paid	-	-	-	(233)	(233)
Total transactions with owners	77	4,550	-	(233)	4,394
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

Notes to the Financial Statements

1. General information

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

2. Basis of preparation

The Group's financial statements for the period ended 31 December 2011 (12 months) and for the comparative period ended 31 December 2010 (14 months) have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Future accounting developments

New and revised IFRSs 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
IFRS7: Financial Instruments : Disclosures : amendments to the nature and extent of risks arising from financial instruments	Annual periods beginning on or after 1 January 2011	None
IRFS8: Operating Segments : amendments resulting from April 2009 annual improvements to IFRSs	Annual periods beginning on or after 1 January 2010	Additional disclosure provided

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

TITLE	IMPLEMENTATION	EFFECT ON GROUP
IAS12: Amendment to 'Income Taxes' : deferred tax accounting for investment properties	Annual periods beginning on or after 1 January 2012	None
IAS19: Employee Benefits : Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	Annual periods beginning on or after 1 January 2013	None
IAS27: Consolidated and Separate Financial Statements : Reissued as IAS27 Separate Financial Statements (as amended in 2011)	Annual periods beginning on or after 1 January 2013	None

Notes to the Financial Statements

IAS27: Consolidated and Separate Financial Statements : Reissued as IAS27 Separate Financial Statements (as amended in 2011)	Annual periods beginning on or after 1 January 2013	None
IAS1: Presentation of Financial Statements : amendments resulting from May 2010 annual improvements to IFRS	Annual periods beginning on or after 1 January 2011	None
IAS34: Interim Financial Reporting	Annual periods beginning on or after 1 January 2011	None
IAS32: Financial Instruments : Presentation : Amendments to application guidance on the offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014	None
IAS38: Intangible Assets : amendments resulting from April 2009 annual improvements to IFRSs	Annual periods beginning on or after 1 January 2010	None
IAS39: Financial Instruments : Recognition and Measurement : amendments resulting from April 2009 annual improvements to IFRSs	Annual periods beginning on or after 1 January 2010	None
IAS27: Consolidated and Separate Financial Statements : amendments resulting from May 2010 annual improvements to IFRSs	Annual periods beginning on or after 1 July 2010	None
IAS1: Presentation of Financial Statements : amendments resulting from May 2010 annual improvements to IFRSs	Annual periods beginning on or after 1 January 2011	None
IAS24: Related Party Disclosures : revised definition of Related Parties	Annual periods beginning on or after 1 January 2011	None
IAS19: Amendment to IFRIC 14 : The limit on a defined benefit asset, minimum funding requirements and their interaction	Annual periods beginning on or after 1 January 2011	None
IFRS7: Financial Instruments : Disclosures : amendments enhancing disclosure about transfers of financial assets	Annual periods beginning on or after 1 July 2011	None
IFRIC13: Amendment to 'customer loyalty programmes' : fair value	Annual periods beginning on or after 1 January 2011	None
IRFS9: Financial Instruments : Classification of financial assets and financial liabilities and Accounting for financial liabilities and derecognition	Annual periods beginning on or after 1 January 2015	None
IFRS10: Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013	None

Notes to the Financial Statements

IFRS11: Joint Arrangements	Annual periods beginning on or after 1 January 2013	None
IFRS12: Disclosure if Interests in Other Entities	Annual periods beginning on or after 1 January 2013	None
IFRS13: Fair Value Measurement	Annual periods beginning on or after 1 January 2013	None
IFRS7: Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013	None
IFRS7: Amendments requiring disclosure about the initial application of IFRS9	Annual periods beginning on or after 1 January 2015	None

Management anticipate 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.

Notes to the Financial Statements

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 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 IAS39 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 IAS36 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.

Notes to the Financial Statements

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 inter-group sales. 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

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.

Notes to the Financial Statements

- *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.

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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:

Segment revenues and results for 12 months to 31 December '11	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Group £'000
Continuing operations revenue	**2,440**	**1,218**	**6,125**	**877**	**10,660**
Administrative expenses	(2,555)	(719)	(4,796)	(835)	(8,905)
Other revenue	-	11	-	62	73
Segment operating profit / (loss)	**(115)**	**510**	**1,329**	**104**	**1,828**
Non-recurring costs	(33)	(62)	-	-	(95)
Segment operating profit / (loss)	**(148)**	**448**	**1,329**	**104**	**1,733**
Finance costs	(41)	-	(104)	-	(145)
Segment profit / (loss) before taxation	**(189)**	**448**	**1,225**	**104**	**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**

Notes to the Financial Statements

Segment revenues and results for 14 months to 31 December '10	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Group £'000
Continuing operations revenue	**2,568**	**1,237**	**3,945**	**22**	**7,772**
Administrative expenses	(2,298)	(871)	(2,920)	(27)	(6,116)
Other revenue	-	9	-	-	9
Segment operating profit / (loss)	**270**	**375**	**1,025**	**(5)**	**1,665**
Non-recurring costs	(331)	-	-	-	(331)
Segment operating profit / (loss)	**(61)**	**375**	**1,025**	**(5)**	**1,334**
Finance income	-	1	-	-	1
Finance costs	(6)	-	(69)	-	(75)
Segment profit / (loss) before taxation	**(67)**	**376**	**956**	**(5)**	**1,260**

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	8,367	1,093	4,205	52	13,717
Total segment liabilities	(2,459)	(651)	(3,527)	(57)	(6,694)
Total net assets	**5,908**	**442**	**678**	**(5)**	**7,023**

5. Non-recurring costs

Expenses relating to the prior year of £82,548 were charged against current year income. Non-recurring costs also includes re-organisation costs of £12,322 relating to the restructuring of the UK business following the acquisition of Retail Profile Holdings Limited in the prior period.

Notes to the Financial Statements

6. Operating profit

The operating profit is stated after charging:	12 months to December '11 £'000	14 months to December '10 £'000
Motor vehicle leasing	35	27
Property leases	184	176
Foreign exchange gains / (losses)	-	7
Amortisation of intangible assets	66	82
Depreciation of property, plant and equipment	191	147
Auditor's remuneration:		
Fees payable for:		
Audit of Company	22	17
Audit of subsidiary undertakings	11	10
Tax services	4	3
Corporate finance	-	26
Other services	15	5
	52	**61**
Directors remunerations	474	333
	474	**333**

Details of Directors' remuneration 12 months to December 2011	Salary and fees £'000	Pensions and other Insurances £'000	Total £'000
Executive Directors			
M J Bending	130	2	132
N J Cullen	100	2	102
G R Dunlay	92	1	93
M D Kemp	120	2	122
C G Stainforth	25	-	25
Non-Executive Directors			
R A Chadwick	15	-	15
M H Helfgott	25	-	25
D A Henderson-Williams	10	-	10
A P Stirling	8	-	8
	525	**7**	**532**

Notes to the Financial Statements

14 months to December 2010	Salary and fees £'000	Pensions and other Insurances £'000	Total £'000
Executive Directors			
M J Bending	120	2	122
N J Cullen	104	2	106
M D Kemp (from 24 May 2010)	70	1	71
C G Stainforth	34	-	34
Non-Executive Directors			
R A Chadwick	26	-	26
M H Helfgott	17	-	17
D A Henderson-Williams	10	-	10
A P Stirling	8	-	8
	389	**5**	**394**

7. Staff costs

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

	12 months to December '11	14 months to December '10
Executive Directors	5	3
Administration	20	15
Telesales	34	22
Commercial	16	10
Maintenance	6	5
	81	**55**

	12 months to December '11 £'000	14 months to December '10 £'000
Wages and salaries	2,926	2,126
Social Security costs	332	230
Pensions	-	1
	3,258	**2,357**

Notes to the Financial Statements

8. Finance income and costs

	12 months to December '11 £'000	14 months to December '10 £'000
Finance income:		
Interest receivable	-	1
Finance costs:		
Interest payable	**(145)**	**(75)**

9. Taxation

	12 months to December '11 £'000	14 months to December '10 £'000
UK corporation tax:		
Corporation tax	408	307
Adjustment in respect of prior period	(219)	-
Foreign tax:		
Current tax on foreign income for the period	27	321
Deferred tax:		
Relating to the origination of timing differences	181	(213)
Income tax expense as reported in the income statement	**397**	**415**

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

	12 months to December '11 £'000	14 months to December '10 £'000
Profit on ordinary activities before tax	1,588	1,260
Profit on ordinary activities at the standard rate of corporation tax in the UK of 26.5% - Jan – Mar: 28%, Apr – Dec: 26% (2010: 28%)	421	353
Tax effect of:		
- Expenses not deductible for tax purposes	-	58
- Difference due to foreign taxation rates	(7)	13
- Deferred tax	(17)	(9)
Income tax expense as reported in the income statement	**397**	**415**

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 £202,276 (2010: £171,842) which is dealt with in the financial statements of the Parent Company.

Notes to the Financial Statements

11. Dividends

	12 months to December '11 £'000	14 months to December '10 £'000
Paid during the period	505	233
Recommended final dividend	564	505

Equity – 2.60p per ordinary share proposed and paid for 2010. Recommended final dividend for 2011 – 2.90p 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 October 2009	-
Additional amounts arising from business combinations occurring	3,933
Additions	4,048
At 31 December 2010	7,981
Additions	-
At 31 December 2011	**7,981**

Accumulated impairment losses	
At 31 October 2009	-
Charge for the period	-
At 31 December 2010	-
Charge for the period	-
At 31 December 2011	-

Net book value	
At 31 October 2009	-
At 31 December 2010	7,981
At 31 December 2011	**7,981**

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 the only identifiable CGU and the carrying amount of goodwill is allocated in full against this CGU.

Notes to the Financial Statements

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.

Goodwill was calculated on the acquisition of Retail Profile Holdings Limited as follows:

	£'000
Consideration paid:	
Share capital acquired	4,788
Loan notes acquired	1,728
Net identifiable assets acquired:	(2,468)
Goodwill	**4,048**

13. Investment in subsidiaries

The Company movement in investment in subsidiaries was:	£'000
As at 31 October 2009	-
Additions	6,516
As at 31 December 2010	6,516
Additions	11
As at 31 December 2011	6,527

The additions of £11,000 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.

None of the subsidiary companies incorporated during 2011 traded in the year.

Notes to the Financial Statements

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 Group 31 Dec '11	31 Dec '10
S & P Consult Limited	Consultancy	United Kingdom	100%	n/a
MacPherson & Valentine Limited	Licensing of intellectual property	United Kingdom	100%	n/a
SpaceandPeople GmbH	Media	Germany	100%	n/a
Retail Profile Holdings Limited	Leasing of Retail Merchandising Units (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%

Notes to the Financial Statements

14. 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 31 Dec '11	Proportion of ownership interest and voting power held by the Group 31 Dec '10
SpaceandPeople (Hong Kong) Limited	Dormant	Hong Kong	35.3%	35.3%
SpaceandPeople (India) Limited	Media	India	44.6%	49.0%

	31 December '11 £'000	31 December '10 £'000
SpaceandPeople (Hong Kong) Ltd	-	-
SpaceandPeople (India) Ltd	156	156
	156	**156**

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

	31 December '11 £'000	31 December '10 £'000
Revenue	507	215
Profit / (loss)	68	(19)

	31 December '11 £'000	31 December '10 £'000
Total assets	499	364
Total liabilities	(149)	(160)
Net assets	350	204
Group's share of net assets of associates		
SpaceandPeople (Hong Kong) Ltd	-	-
SpaceandPeople (India) Ltd	156	100
	156	**156**

The Group's share of the net assets of its associate company in not materially different from cost of the investment and therefore no adjustment has been made to the carrying value.

Notes to the Financial Statements

15. Other intangible assets – Group and Company

Cost	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 October 2009	282	137	6	425
Additions	2	-	-	2
At 31 December 2010	284	137	6	427
Additions	-	-	4	4
At 31 December 2011	**284**	**137**	**10**	**431**

Amortisation	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 October 2009	197	54	6	257
Charge for the period	50	32	-	82
At 31 December 2010	247	86	6	339
Charge for the period	27	38	1	66
At 31 December 2011	**274**	**124**	**7**	**405**

Net book value	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 October 2009	85	83	-	168
At 31 December 2010	37	51	-	88
At 31 December 2011	**10**	**13**	**3**	**26**

Notes to the Financial Statements

16. Property, plant and equipment

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

Cost	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 October 2009	-	97	125	222
Acquired on acquisition	351	47	8	406
Additions	266	73	16	355
At 31 December 2010	617	217	149	983
Additions	681	8	56	745
At 31 December 2011	1,298	225	205	1,728

Depreciation	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 October 2009	-	67	103	170
Charge for the period	84	39	24	147
At 31 December 2010	84	106	127	317
Charge for the period	138	30	23	191
At 31 December 2011	222	136	150	508

Net book value	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 October 2009	-	30	22	52
At 31 December 2010	533	111	22	666
At 31 December 2011	**1,076**	**89**	**55**	**1,220**

Notes to the Financial Statements

16. Property, plant and equipment (cont.)

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

Cost	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 October 2009	97	125	222
Additions	63	13	76
At 31 December 2010	160	138	298
Additions	8	40	48
At 31 December 2011	168	178	346

Depreciation	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 October 2009	67	103	170
Charge for the period	29	18	47
At 31 December 2010	96	121	217
Charge for the period	24	17	41
At 31 December 2011	120	138	258

Net book value	Fixture & fittings £'000	Computer equipment £'000	Total £'000
At 31 October 2009	30	22	52
At 31 December 2010	64	17	81
At 31 December 2011	**48**	**40**	**88**

17. Deferred tax

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Deferred tax asset:				
Tax charged on revenue not yet recognised	-	-	**203**	**203**
Deferred tax liability:				
Accelerated capital allowances	10	-	27	-
Movement on deferred tax position:				
Opening balance	27	-	-	-
Acquired on acquisition	-	-	36	-
Released in the period	(17)	-	(9)	-
Closing balance	**10**	**-**	**27**	-

Notes to the Financial Statements

18. Trade and other receivables

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Trade debtors	2,419	2,106	2,137	1,847
Other debtors	27	26	77	96
Prepayments	391	30	286	21
Accrued revenue	178	19	142	-
Amounts due from related parties	-	87	-	-
Total	**3,015**	**2,268**	**2,642**	**1,964**

The ageing of trade debtors

	Current £'000	0-30 Days £'000	31-60 Days £'000	61 Days+ £'000	Total £'000
Group - 31 December 2011	909	745	331	434	2,419
Company - 31 December 2011	791	648	288	379	2,106
Group - 31 December 2010	957	648	288	244	2,137
Company - 31 December 2010	827	560	249	211	1,847

19. Cash and cash equivalents

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Cash at bank and on hand	1,433	191	1,981	452
Bank overdraft	(283)	(283)	-	-
	1,150	**(92)**	**1,981**	**452**

20. Trade and other payables

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Trade creditors	479	141	466	98
Other creditors	1,401	1,379	896	640
Social Security and other taxes	302	77	477	241
Accrued expenses	1,391	381	672	261
Deferred income	646	5	538	-
Amounts due to related parties	-	710	-	-
Trade and other payables	**4,219**	**2,711**	**3,049**	**1,240**
Corporation tax	246	(18)	493	340
Total	**4,464**	**2,693**	**3,542**	**1,580**

Notes to the Financial Statements

21. Other borrowings

As a part of the consideration for Retail Profile Holdings Limited, a loan note of £1,530,000, secured by a fixed and floating charge over the assets of Retail Profile Holdings Limited and its subsidiaries, was issued to the vendors carrying a coupon of 3.5% over base rate per annum. The loan note was repaid on 13 July 2011.

At 31 December 2011, Retail Profile Holdings Limited had a bank loan of £1,147,718 (of which £455,004 is included in current liabilities being repayable within 12 months) – See note 22.

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Bank overdraft	283	283	-	-
Bank overdraft	-	-	1,530	1,530
Bank loan	455	-	455	-
	738	283	1,985	1,530

22. Non-current liabilities

At 31 December 2011, Retail Profile Holdings Limited had a bank loan of £1,147,718 (of which £455,004 is included in current liabilities being repayable within 12 months) 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 2011, SpaceandPeople plc. had drawn down £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.

23. 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 £735k 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 22 regarding details of outstanding Retail Profile Holdings Limited loan.

Notes to the Financial Statements

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 an associate in India.

24. Operating lease commitments

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

	Group 31 December 2011 £'000	Company 31 December 2011 £'000	Group 31 December 2010 £'000	Company 31 December 2010 £'000
Within 1 year	2,294	50	152	42
Between 2 and 5 years inclusive	3,825	280	3,783	149
Greater than 5 years	41	41	141	-

25. Related party transactions

Non-Executive Directors' fees

During the period, fees amounting to £58,000 (2010 - £61,001 – 14 months) were paid to individuals for their services as Non-Executive Directors as follows:

	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
D A Henderson-Williams	10	10
R A Chadwick (as Non-Executive Director)	15	14
R A Chadwick (on RP acquisition)	-	12
A P Stirling (paid to Friars Management Services Ltd)	8	8
M H Helfgott (paid to Amery Capital Ltd)	25	17
	58	**61**

Transactions with key management personnel

Key management of the Group are considered to be the Executive Directors of the Group. There are no transactions with the Directors other than their remuneration (see note 6) and interests in shares as shown in the Directors' report.

26. Called up share capital

Allotted, issued and fully paid			31 December '11	31 December '10
Class	Nominal value			
Ordinary	1p	£	194,311	194,311
		Number	19,431,063	19,431,063

Notes to the Financial Statements

27. Earnings per share

	12 months to 31 December '11 pence per share	14 months to 31 December '10 pence per share
Basic earnings per share		
Before non-recurring costs	6.49	7.15
After non-recurring costs	6.13	5.38
Diluted earnings per share		
Before non-recurring costs	6.09	6.72
After non-recurring costs	5.75	5.06

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 '11 £'000	14 months to 31 December '10 £'000
Profit after tax for the period excluding non-recurring costs	1,261	1,123
Profit after tax for the period including non-recurring costs	1,191	845

	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	19,431	15,707

Notes to the Financial Statements

Diluted earnings per share

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

	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
Profit after tax for the period excluding non-recurring costs	1,261	1,123
Profit after tax for the period including non-recurring costs	1,191	845

	12 months to 31 December '11 £'000	14 months to 31 December '10 £'000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	20,712	16,718

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 '11 £'000	14 months to 31 December '10 £'000
Weighted average number of shares in issue during the period	19,431	15,707
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	1,281	1,011
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	20,712	16,718

Notes to the Financial Statements

28. Share options

The Group has established an EMI 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 EMI option 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 EMI option scheme over 90,418 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
30 October 2005	14,000	30 October 2008 – 29 October 2012	50.5p
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	32,000	14 January 2012 – 13 January 2016	50p
1 June 2009	12,307	1 June 2012 – 30 May 2015	65p

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

	12 months to 31 December '11	14 months to 31 December '10
Number of options outstanding as at the beginning of the period	90,418	139,966
Granted	-	-
Exercised	-	(15,000)
Forfeited	-	(34,548)
Number of options outstanding as at the end of the period	90,418	90,418

Share options have also been granted previously under an unapproved option scheme, to D A Henderson-Williams as shown below.

Date of grant	Number	Option period	Price
5 September 2006	25,000	5 September 2009 – 5 September 2013	65p

In addition, on 22 October 2009, 500,000 options were conditionally granted and a further 665,658 options conditionally granted on 21 May 2010, half to an employee and half to C Stainforth, at a price of 88.6p. These options were granted in three tranches conditional on the Group achieving compound growth of 25% pa in basic earnings per share over the relevant performance period, as shown on the following page.

Notes to the Financial Statements

Number	Option period	Performance period
386,998	1 November 2012 – 31 October 2014	1 November 2009 – 31 October 2012
389,330	1 November 2013 – 31 October 2015	1 November 2010 – 31 October 2013
389,330	1 November 2014 – 31 October 2016	1 November 2011 – 31 October 2014

In total, 1,281,076 options were outstanding at 31 December 2011 (1,281,076 at 31 December 2010) with a weighted average exercise price of 86.9p (86.9p at 31 December 2010). Of these, 71,111 were exercisable (59,500 at 31 December 2010) with a weighted average exercise price of 79.7p (65.0p at 31 December 2010).

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	86.9p
Average market price at grant of option	70.0p
Expected volatility	17%
Average expected vesting period from 31.12.11	4.69 years
Risk free rate	0.34%
Dividend yield	5.58%

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 0.24p. The performance related conditions in respect of the 1,165,658 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 0.22p.

Photos:

Page 2 (left to right): Bobo Tea at Manchester Arndale, photo provided courtesy of ECE Germany, Eastern Western Alfa Romeo promotion at Overgate (Dundee), photo provided courtesy of Codona Worldwide

Page 5 (clockwise from top left): EA Games (Circle Agency) at Manchester Arndale, photo provided courtesy of ECE Germany, Codona Worldwide waterball attraction at Silverburn (Glasgow), Daisy's Dog Deli RMU

Page 7 (left to right): Breathe Easy RMU, Venture Photography Glasgow promotion, photo provided courtesy of ECE Germany, Malibutique (Elastic) promotion in Manchester city centre

Page 12 (left to right): photo provided courtesy of ECE Germany, photo provided courtesy of Codona Worldwide, Lomond Audi Group promotion at Overgate (Dundee), photo provided courtesy of ECE Germany

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