

SpaceandPeople plc

Company Registration Number SC212277

10 September 2012**Consolidated Interim Results for the 6 months to 30 June 2012**

SpaceandPeople plc ("SpaceandPeople" or the "Group"), the international experiential marketing and media group which facilitates and manages the sale of promotional and retail merchandising space in shopping centres and other high footfall venues, announces interim results for the six months ended 30 June 2012.

Highlights

- Strong performance across the Group with consolidated gross revenues up 19% to £12.5m (2011: £10.5m)
- Consolidated net revenues up 20% to £5.15m (2011: £4.30m)
- Consolidated operating profit before non-recurring costs up 180% to £437k (2011: £156k)
- Consolidated profit before taxation and non-recurring costs up 294% to £382k (2011: £97k)
- Basic earnings per share before non-recurring costs up 93% to 1.41p (2011: 0.73p)
- Position as the UK's market leader in Experiential Marketing and Commercialisation consolidated by winning exclusive contracts with Land Securities and Capital Shopping Centres.
- Ability to reach more than 66million people per week in over 700 venues.
- Acquisition of controlling interest in SpaceandPeople India Pvt Limited.

Contact details

SpaceandPeople plc
Matthew Bending
Gregor Dunlay

0845 241 8215

Seymour Pierce Limited
Stewart Dickson/David Foreman (Corporate Finance)
Richard Redmayne/ Paul Jewell (Corporate Broking)

020 7107 8000

Chief Executive's Interim Operating Statement

The first half of 2012 has seen the Group continue to deliver increasing revenues and profitability while investing in future growth in all areas of the business. Overall, net revenue increased by 20% compared with the first half of 2011 (21% in local currencies) as a result of organic growth, with increased revenue generated from our existing portfolio of venues. The signing of new exclusive agreements with Land Securities and Capital Shopping Centres is expected to generate further significant revenue growth going forward.

During the first half of the year, our investment in staff and management in the UK was directed at increasing our presence in venues and I'm pleased to report that the improved effectiveness of our communication and liaison with clients has already begun to deliver results. Also, the addition of skilled new staff in both the promotions and retail businesses in Germany has enabled these companies to achieve exceptional levels of growth in revenue and profitability.

I am delighted that during this period we increased our investment in SpaceandPeople India Pvt Limited and we now have a controlling stake in this business which became a subsidiary of SpaceandPeople with effect from 4 June 2012. Having raised additional funding to enable further expansion of their promotions and retail business, we expect SpaceandPeople India to continue to grow revenue and profits in the coming years.

Financial Performance

Net revenue for the first half year was £5.15m which was an increase of 20% compared with the first half of 2011. Operating profit before non-recurring costs increased by 180% to £437k with the operating profit margin increasing to 8.5% (2011: 3.6%). Profit before tax in the half year increased significantly to £382k (2011: £14k) due mainly to the improved revenue and overall trading performance. Taxation of £107k on this profit is at an effective rate of 28% as a result of a material proportion of Group profits being generated in Germany where corporation tax rates are higher than in the UK. Profit after tax increased by 231% to £275k, with basic earnings per share increasing by 228% to 1.41p and fully diluted earnings per share increasing by 220% to 1.28p.

The Group cash position at the half year end was £555k, being £595k lower than at the previous year end. This reduction was due to a decrease of £661k in working capital caused by increased trade receivables as more long term bookings with monthly payment terms were agreed and also the payment of a dividend of £564k being the final 2011 dividend which amounted to more than the cash inflow from operating activities. As is usual for our Group, we expect to return to a positive cash inflow in the second half of the year.

Operations

The year on year increase in net revenue of 20% was driven primarily by the German businesses. The promotions business in Germany increased net revenue in the period by 100% to £575k. This was as a result of early adopters of experiential marketing and sales in Germany increasing their expenditure as they grew in confidence that this medium delivers measurable results. The German retail business increased its revenue by 188% to £687k as the roll-out of Retail Merchandising Units ("RMUs") during this second year of operations continues to go well. UK promotional sales increased by 12% to £1.34m and we expect this income to grow further as the opportunities created by the new Land Securities and Capital Shopping Centres agreements are developed. Revenues in the UK retail business were flat compared with 2011 at £2.54m. The improvement in income per RMU has been the defining factor in this business although this was offset by a planned reduction in the number of RMUs in operation during the period. The team is working hard along with centre owners to develop new retail strategies and to deliver further retail opportunities in the UK in the second half year and as a result we expect to see this business growing again in the coming years.

India

During the first half of the year, SpaceandPeople increased its shareholding in SpaceandPeople India Pvt Ltd both by buying shares from other existing shareholders in the company and also by investing additional funds following a placing of SpaceandPeople India shares. The placing proceeds of £375k have and will be used to drive the further expansion of the business particularly in relation to RMUs and retail as the company has to date been focused mainly on promotions. SpaceandPeople has also developed the MacV eyewear sunglasses brand which it has licensed in India and this licence with an Indian group has seen 6 permanent kiosks operating in 4 cities with another 4 to 6 in the pipeline for the remainder of 2012.

Indian economic growth faltered during the first half of 2012 and as a result some promoters curtailed their activity as marketing budgets tightened. However, the sales pipeline over the festive period of Dhiwali and also Christmas is looking positive and we anticipate sales growth will resume and meet management's full year expectations.

Overall

These results, although only covering the traditionally quieter half year, show that our investment in staff, training, customer support and infrastructure is delivering results. The decision by two of the largest shopping centre groups in the UK to sign exclusive agreements with SpaceandPeople demonstrates that our sales and support operations are meeting customers' needs and expectations and we are focused on continuing to develop these and increasing the revenue stream to venues going forward.

The strategy of developing diverse revenue streams from diverse territories provides for a stable and diverse customer base and has delivered gross sales of £12.5m to venues during this six month period. Sales in the second half year are always higher than the first half due to Christmas and we are confident we can build on these excellent results and remain on track to deliver full year results in line with market expectations.

Matthew Bending
7 September 2012

Independent Review Report to SpaceandPeople plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2012 which comprises, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The AIM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules of the London Stock Exchange and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules For Companies.

Campbell Dallas LLP Chartered Accountants & Registered Auditors

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 7 September 2012

SpaceandPeople plc

Consolidated Group Statement of Comprehensive Income

For the 6 months ended 30 June 2012

	Notes	6 months to 30 June '12 (Unaudited) £'000	6 months to 30 June '11 (Unaudited) £'000	12 months to 31 December '11 (Audited) £'000
Revenue	5	5,148	4,288	10,660
Administration expenses		(4,758)	(4,139)	(8,905)
Other operating income		47	7	73
Operating profit before non-recurring costs	5	437	156	1,828
Non-recurring costs		-	(83)	(95)
Operating profit		437	73	1,733
Finance costs		(55)	(59)	(145)
Profit before taxation		382	14	1,588
Taxation		(107)	69	(397)
Profit after taxation		275	83	1,191
Other comprehensive income				
Foreign exchange differences on translation of foreign operations		10	21	(49)
Total comprehensive income for the period		285	104	1,142
Earnings per share	13			
Basic – before non-recurring costs		1.41p	0.73p	6.49p
Basic – after non-recurring costs		1.41p	0.43p	6.13p
Diluted – before non-recurring costs		1.28p	0.69p	6.09p
Diluted – after non-recurring costs		1.28p	0.40p	5.75p

SpaceandPeople plc

Consolidated Group Statement of Financial Position

At 30 June 2012

Company number SC212277

	Notes	<u>30 June '12</u> (Unaudited) £'000	<u>30 June '11</u> (Unaudited) £'000	<u>31 December '11</u> (Audited) £'000
Assets				
Non-current assets:				
Goodwill	6	8,198	7,981	7,981
Investment in associates	6	-	156	156
Other intangible assets	7	14	58	26
Property, plant & equipment	8	1,182	859	1,220
		9,394	9,054	9,383
Current assets:				
Trade & other receivables		4,106	2,479	3,015
Cash & cash equivalents	9	948	2,135	1,433
		5,054	4,614	4,448
Total assets		14,448	13,668	13,831
Liabilities				
Current liabilities:				
Trade & other payables		4,649	3,989	4,219
Current tax payable		313	127	246
Other borrowings		848	1,985	738
		5,810	6,101	5,203
Non-current liabilities:				
Deferred tax liabilities		-	27	10
Long term loan	10	1,017	918	958
		1,017	945	968
Total liabilities		6,827	7,046	6,171
Net assets		7,621	6,622	7,660
Equity				
Share capital	12	194	194	194
Share premium		4,822	4,816	4,816
Special reserve		233	233	233
Retained earnings		2,138	1,379	2,417
Equity attributable to owners of the Company		7,387	6,622	7,660
Non-controlling Interest		234	-	-
Total equity		7,621	6,622	7,660

SpaceandPeople plc

Consolidated Group Statement of Cash Flows

For the 6 months ended 30 June 2012

	Notes	6 months to 30 June '12 (Unaudited) £'000	6 months to 30 June '11 (Unaudited) £'000	12 months to 31 December '11 (Audited) £'000
Cash flows from operating activities				
Cash generated from operations		230	1,337	2,738
Interest paid		(55)	(59)	(145)
Taxation		(50)	(95)	(458)
Net cash inflow from operating activities		125	1,183	2,135
Cash flows from investing activities				
Purchase of intangible assets		-	-	(4)
Purchase of property, plant & equipment	8	(53)	(302)	(745)
Net cash outflow from investing activities		(53)	(302)	(749)
Cash flows from financing activities				
Proceeds from issue of shares		6	-	-
Funding costs on acquisition of subsidiary, net of cash received		(168)	-	-
Repayment of bank loan	10	(191)	(222)	(1,977)
New bank facility received		250	-	265
Dividends paid	11	(564)	(505)	(505)
Net cash outflow from financing activities		(667)	(727)	(2,217)
(Decrease)/increase in cash and cash equivalents		(595)	154	(831)
Cash at beginning of period		1,150	1,981	1,981
Cash at end of period	9	555	2,135	1,150
Reconciliation of operating profit to net cash flow from operating activities				
Operating profit		437	73	1,733
Amortisation of intangible assets		12	30	66
Depreciation of property, plant & equipment		119	109	191
Effect of foreign exchange rate moves		10	21	(49)
(Increase)/decrease in receivables		(722)	163	(373)
Increase in payables		374	941	1,170
Cash flow from operating activities		230	1,337	2,738

SpaceandPeople plc

Consolidated Group Statement of Changes in Equity

For the 6 months ended 30 June 2012

6 months to 30 June '12	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000
At 1 January '12	194	4,816	233	2,417	-	7,660
Shares issued	-	6	-	-	-	6
Foreign currency translation	-	-	-	10	-	10
Profit for the period	-	-	-	275	-	275
Dividends paid	-	-	-	(564)	-	(564)
On acquisition	-	-	-	-	234	234
At 30 June '12	194	4,822	233	2,138	234	7,621

6 months to 30 June '11	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000
At 1 January '11	194	4,816	233	1,780	-	7,023
Foreign currency translation	-	-	-	21	-	21
Profit for the period	-	-	-	83	-	83
Dividends paid	-	-	-	(505)	-	(505)
At 30 June '11	194	4,816	233	1,379	-	6,622

12 months to 31 December '11	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Minority Interest £'000	Total equity £'000
At 1 January 2011	194	4,816	233	1,780	-	7,023
Foreign currency translation	-	-	-	(49)	-	(49)
Profit for the period	-	-	-	1,191	-	1,191
Dividends paid	-	-	-	(505)	-	(505)
At 31 December '11	194	4,816	233	2,417	-	7,660

SpaceandPeople plc

Notes to the financial statements

For the 6 months ended 30 June 2012

1. General information

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

This condensed consolidated interim financial information has been reviewed, but not audited, by the auditors, and their independent review is set out on page 3 of this report. It does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The financial information for the 12 months to 31 December 2011 has been extracted from the statutory accounts for that period. These published accounts were reported on by the auditors without qualification or an emphasis of matter reference, and did not include a statement under section 498 of the Companies Act 2006, and have been delivered to the Registrar of Companies.

This condensed consolidated interim financial information was approved by the board on 10 September 2012.

2. Basis of preparation

This condensed consolidated interim financial information for the 6 months ended 30 June 2012 has been prepared in accordance with IAS 34 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the financial statements of the Company for the period ending 31 December 2011 which were 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, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

3. Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the financial statements of the Company for the year ended 31 December 2011.

4. Seasonality of operations

Due to the seasonal nature of the retail business, higher revenues and operating profits are usually expected in the second half of the year than in the first six months, particularly for subsidiary company Retail Profile Europe.

5. Segmental reporting

The Group maintains its head office in Glasgow and a branch office in Hamburg, Germany. These are reported separately. In addition its subsidiary, Retail Profile, has an office in London and has a licensing agreement 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 table present revenue and profit and loss information regarding the Group's two business segments - Promotional Sales and Retail, split by geographic area. Prior year comparatives have been restated to disclose Head Office costs separately:

	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Group £'000
6 months to 30 June '12						
Net Revenue	1,342	575	2,544	687	-	5,148
Operating profit/(loss) before non-recurring costs	267	168	598	57	(653)	437
6 months to 30 June '11						
Net Revenue	1,200	288	2,562	238	-	4,288
Operating profit/(loss) before non-recurring costs	382	(16)	397	(62)	(545)	156
12 months to 31 December '11						
Revenue	2,440	1,218	6,125	877	-	10,660
Operating profit/(loss) before non-recurring costs	734	510	1,612	104	(1,132)	1,828

6. Business combinations and goodwill

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 interim review date. Goodwill for Retail Profile Holdings Limited remains unchanged at £7,981k

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.

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	370
Payables	(56)
Net identifiable assets acquired	626
Less fair value of non-controlling interest	(235)
Fair value of Assets Acquired	391
Fair value of consideration	608
Goodwill	217

Prior to the acquisition of shares on 4 June 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

No revenue or profit/loss from the subsidiary has been included in the consolidated statement of comprehensive income as at 30 June 2012.

If the acquisition had occurred on 1 January 2012, SpaceandPeople India Pvt Limited would have contributed additional revenue and operating profit to the group results of £791k and £24k respectively.

7. Other intangible assets

	6 months to 30 June '12 £'000	6 months to 30 June '11 £'000	12 months to 31 December '11 £'000
Opening Balance	26	88	88
Additions	-	-	4
Amortisation	(12)	(30)	(66)
Closing Balance	14	58	26

8. Property, plant and equipment

	6 months to 30 June '12 £'000	6 months to 30 June '11 £'000	12 months to 31 December '11 £'000
Opening Balance	1,220	666	666
Acquired on acquisition	28	-	-
Additions	53	302	745
Depreciation	(119)	(109)	(191)
Closing Balance	1,182	859	1,220

9. Cash & Cash Equivalents

	30 June '12 £'000	30 June '11 £'000	31 December '11 £'000
Cash at Bank and on hand	948	2,135	1,433
Bank Overdraft	(393)	-	(283)
	555	2,135	1,150

10. Non-current liabilities

At 30 June 2012, Retail Profile Holdings Limited had a bank loan of £957k (of which £455k 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 Retail Profile Holdings Limited and its subsidiaries.

In addition, as at 30 June 2012, SpaceandPeople had drawn down £515k of its agreed bank facility of £1,000,000. The amount drawn is part of a revolving credit facility with repayment due in July 2012.

11. Dividends

	30 June '12 £'000	30 June '11 £'000	31 December '11 £'000
Paid during the period	564	505	505

12. Called up share capital

Allotted, issued and fully paid			30 June '12	30 June '11	31 December '11
Class	Nominal value				
Ordinary	1p	£	194,411	194,311	194,311
		Number	19,441,063	19,431,063	19,431,063

13. Earnings per share

Earnings per share has been calculated using the profit/ (loss) after taxation for the period and the weighted average number of shares in issue. Tax assumed at 28% on non-recurring costs in prior period.

	30 June '12 £'000	30 June '11 £'000	31 December '11 £'000
Profit / (loss) after Taxation			
- Before non-recurring costs	275	142	1,261
- After non-recurring costs	275	83	1,191

Weighted average number of shares in issue during the period	'000	'000	'000
- 1p ordinary shares	19,441	19,431	19,431
- Share options	2,051	1,331	1,281
- Diluted ordinary shares	21,492	20,762	20,712

SpaceandPeople plc
2nd Floor
100 West Regent Street
Glasgow
G2 2QD
Telephone: 0845 2418215
Email: help@spaceandpeople.com

www.spaceandpeople.com