SpaceandPeople plc

21 September 2015

SpaceandPeople plc
("SpaceandPeople" or the "Group")

Interim Results for the 6 months to 30 June 2015

SpaceandPeople (AIM:SAL), the retail, promotional and brand experience specialist 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 2015.

Highlights

- Profit after tax attributable to shareholders of £12k being £298k higher than the £286k loss in the prior period
- Secured five year commercialisation deal with Network Rail in September 2015
- Successful roll-out of Mobile Promotional Kiosk concept in UK and Germany delivering over £260k of income
- £270k reduction in overheads as a result of restructuring process
- Signed pilot project with Immochan in France commencing in 2016
- Full year outlook in line with expectations

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Chief Executive's Interim Operating Statement

Introduction

The first half of 2015 has been a period of stability, consolidation and progression for the Group in response to the challenges of 2014. Each division has traded in line with our expectations and the restructuring process carried out during 2014 has been successful, delivering significant cost savings and operational efficiencies.

We have invested a large amount of time and effort securing a significant new contract with Network Rail as well as renewing our contracts with M&G Real Estate. The Network Rail portfolio is important for a number of reasons. The size and scope of the estate plus the fact the stations are being transformed into destinations in their own right with varied food and retail offerings, in dramatically nicer environments means dwell time and footfall are improving all the time. These are key determinants for brands in utilising these spaces. Combining this with our existing venue portfolio, SpaceandPeople will further enhance its position as the market leader in experiential marketing.

The roll-out of our new and innovative Mobile Promotions Kiosk ("MPK") concept in both the UK and Germany has been progressing well with 37 kiosks now in operation and with plans for this to be over 50 units by the end of the year, with further expansion in 2016. From a standing start MPKs have generated over £260k of income in the first half of 2015 with this expected to grow significantly in the remainder of the year, in 2016 and beyond.

The recent announcement of the agreement with Immochan to undertake a pilot in three of their largest centres in France is an important development as it allows us to market test MPKs with one of Europe's largest hypermarket and shopping centre groups, and will help us leverage the French market if the pilot is successful.

In my 2014 year-end review I explained the four key drivers of growth in the core areas of our business: gaining additional venues; selling more activity to each venue; driving higher prices to promoters and occupiers; and achieving a higher commission rate for our services. With Network Rail and Immochan having been announced recently as new clients we have made very significant progress on the first point; we are securing more brand experience events for our clients than in previous years which is desirable, high worth business; and with the roll-out of the MPK service we have managed to increase our blended commission rate by offering this attractive concept to our clients and promoters without the need for them to incur significant capital outlay for what to them would be short term promotions.

Financial Performance

Net revenue for the first half year was £6.0 million. Although this was £1.1 million lower than in 2014, it must be pointed out that in 2014, our S&P+ subsidiary delivered a £1.8 million one-off contract that has not been repeated in the first half of 2015. Despite this, the operating loss of £23k was £226k better than in 2014 and profit after tax attributable to the owners of the company of £12k was £298k better than 2014.

In addition to paying the final dividend of £390k in April 2015, the Group has invested over half a million pounds in fixed assets in the first half year, the majority of which was in relation to MPKs which were initially sourced in the UK, but are now being manufactured in China at a significantly lower price while maintaining a very high level of quality. Even with the dividend payment and the significant investment in assets, the cash position of the Group at the half year end and forecast cash flow going forward remain robust.

Operational Performance

Revenue for UK Promotions was £114k (7%) lower than in 2014 due to a loss of venues that had a change of management control such as Manchester Arndale as well as reduced opportunities for long term retail bookings with some existing clients. Operating profit, however, was up 32% to £80k due to lower costs.

Revenue from the German Promotional business was up £9k (1%) compared with 2014 due to additional work undertaken with some clients off-setting the reduced ability to book long-term deals with another client. Operating Profit was £191k better than in the first half of last year due to the significant staff cost savings resulting from the 2014 restructuring programme.

UK Retail revenue was £93k (6%) lower due to reduction in average number of RMUs from 136 to 126, being partially offset by the introduction of MPK income of £216k from an average of 18 units. Operating profit was up £39k to £27k, primarily due to improvement in gross margin.

German Retail revenue decreased by £109k (8%) due to reduction in number of Retail Merchandising Units ("RMUs") from 135 to 128, being partially offset by the introduction of MPK income of £47k from an average of 4 units. This deliberate reduction was mentioned in my 2014 full year CEO report as a means of increasing occupancy and driving higher margins. As a result operating profit was maintained at £60k.

Head office costs were £54k (8%) lower than in the corresponding previous period. This was due to savings in Directors' salaries and central overheads from the 2014 restructuring programme more than covering the £50k that has been spent in relation to securing the pilot agreement with Immochan in France.

Other revenue was down by £798k (38%) and operating profit down by £138k to a loss of £68k due to the very large transaction that S&P+ completed in the first half of last year not being repeated in 2015. This has been partially offset by a larger number of smaller transactions with a wider variety of clients during the first half of this year. Being less dependent on one large transaction is a positive development for this business and is a result of the work that their management team has put in to expand and engage with more media planning and buying agencies.

Outlook for the remainder of 2015

The autumn months of each year are a very important time for our business. Both retail and promotional customers increase activity in the lead up to the Christmas period and along with the continued roll-out of MPKs in the UK and Germany and the seamless delivery of business on our new contracts, is our primary focus.

With substantial new contracts commencing in the final quarter of the year, we have been augmenting and developing our sales and administration teams over the last few months to ensure that we deliver a full service of the highest standard to these clients from the very start. As such, the Group is committing significant resources ahead of these commencement dates. These set-up costs incurred in the current year will enable us to deliver the best possible outcome for the duration of these contracts.

Overall, we believe full year 2015 will be in line with expectations.

Fred Stirling

On a personal note it was with great sadness we heard that our Honorary Life President, Fred Stirling, passed away during August this year. Fred had been involved with SpaceandPeople from the very beginning, investing in and helping to develop the raw and unpolished concept and playing a key role in creating the business we are today. His wisdom, experience and guidance will be sadly missed.

Conclusion

Following the well documented challenges of 2014, the Group is now in a much more stable position. The restructuring of the Board and senior staff has been completed successfully and with new client contracts and product innovation we have enjoyed a good start to 2015 and look forward to achieving sustainable growth in the future.

Matthew Bending
18 September 2015

Independent Review Report to SpaceandPeople plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules For Companies.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34*,* Interim Financial Reporting, as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Auditing Practices Board for use in the United Kingdom. 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 (UK and Ireland) 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.

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 half-yearly financial report for the six months ended 30 June 2015 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
Statutory Auditors
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 18 September 2015

Consolidated Group Statement of Comprehensive Income

For the 6 months ended 30 June 2015

	Notes	**6 months to 30 June '15 (Unaudited) £'000**	**6 months to 30 June '14 (Unaudited) £'000**	**12 months to 31 December '14 (Audited) £'000**
Revenue	5	**6,020**	**7,125**	**15,446**
Cost of Sales		(2,638)	(3,528)	(5,839)
Gross Profit		**3,382**	**3,597**	**9,607**
Administration expenses		(3,536)	(3,806)	(8,696)
Other operating income		131	123	224
Operating (loss) / profit before non-recurring costs		**(23)**	**(86)**	**1,135**
Non-recurring costs	6	-	(163)	(391)
Operating Profit / (Loss)	**5**	**(23)**	**(249)**	**744**
Finance income		14	6	36
Finance costs		(14)	(10)	(18)
Profit / (Loss) before taxation		**(23)**	**(253)**	**762**
Taxation		-	-	(166)
Profit / (Loss) after taxation		**(23)**	**(253)**	**596**
Other comprehensive income				
Foreign exchange differences on translation of foreign operations		(10)	(46)	(28)
Total comprehensive income for the period		**(33)**	**(299)**	**568**
Profit / (Loss) attributable to:				
Owners of the Company		12	(286)	456
Non-controlling interests		(35)	33	140
		(23)	**(253)**	**596**
Total comprehensive income for the period attributable to:				
Owners of the Company		2	(332)	428
Non-controlling interests		(35)	33	140
		(33)	**(299)**	**568**
Earnings per share	14			
Basic		0.06p	(1.47p)	2.34p
Diluted		0.06p	(1.30p)	2.10p

Consolidated Group Statement of Financial Position

At 30 June 2015

	Notes	30 June '15 (Unaudited) £'000	30 June '14 (Unaudited) £'000	31 December '14 (Audited) £'000
Assets				
Non-current assets:				
Goodwill	7	8,225	8,225	8,225
Other intangible assets	8	28	11	18
Property, plant & equipment	9	1,701	1,499	1,374
		9,954	**9,735**	**9,617**
Current assets:				
Trade & other receivables		3,648	4,910	4,221
Cash & cash equivalents	10	1,028	1,261	2,115
		4,676	**6,171**	**6,336**
Total assets		**14,630**	**15,906**	**15,953**
Liabilities				
Current liabilities:				
Trade & other payables		4,657	5,912	5,835
Current tax payable		(142)	(177)	(170)
Other borrowings	11	250	-	250
		4,765	**5,735**	**5,915**
Non-current liabilities:				
Deferred tax liabilities		10	10	10
Long term loan	11	500	1,250	250
		510	**1,260**	**260**
Total liabilities		**5,275**	**6,995**	**6,175**
Net assets		**9,355**	**8,911**	**9,778**
Equity				
Share capital	13	195	195	195
Share premium		4,868	4,868	4,868
Special reserve		233	233	233
Retained earnings		3,957	3,585	4,345
Equity attributable to owners of the Company		**9,253**	**8,881**	**9,641**
Non-controlling Interest		102	30	137
Total equity		**9,355**	**8,911**	**9,778**

Consolidated Group Statement of Cash Flows

For the 6 months ended 30 June 2015

	Notes	6 months to 30 June '15 (Unaudited) £'000	6 months to 30 June '14 (Unaudited) £'000	12 months to 31 December '14 (Audited) £'000
Cash flows from operating activities				
Cash (outflow) / inflow from operations		(448)	(181)	1,687
Interest paid		(14)	(10)	(18)
Taxation		28	(739)	(898)
Net cash inflow / (outflow) from operating activities		**(434)**	**(930)**	**771**
Cash flows from investing activities				
Interest received		14	6	36
Purchase of intangible assets		(15)	(15)	(30)
Purchase of property, plant & equipment	9	(512)	(133)	(245)
Net cash outflow from investing activities		**(513)**	**(142)**	**(239)**
Cash flows from financing activities				
Repayment of bank loan	11	-	(205)	(205)
Bank facility received / (repaid)	11	250	1,250	500
Dividends paid	12	(390)	(800)	(800)
Net cash outflow from financing activities		**(140)**	**245**	**(505)**
(Decrease) / increase in cash and cash equivalents		**(1,087)**	**(827)**	**27**
Cash at beginning of period		2,115	2,088	2,088
Cash at end of period	10	**1,028**	**1,261**	**2,115**

Reconciliation of operating profit to net cash flow from operating activities			
Operating (loss) / profit	(23)	(249)	744
Amortisation of intangible assets	5	11	19
Depreciation of property, plant & equipment	185	224	461
Effect of foreign exchange rate moves	(10)	(46)	(28)
(Increase) / decrease in receivables	573	227	916
Increase / (decrease) in payables	(1,178)	(348)	(425)
Cash flow from operating activities	**(448)**	**(181)**	**1,687**

Consolidated Group Statement of Changes in Equity

For the 6 months ended 30 June 2015

6 months to 30 June ‘15	Share capital	Share premium	Special reserve	Retained earnings	Non-controlling Interest	Total equity
	£’000	£’000	£’000	£’000	£’000	£’000
At 1 January ‘15	195	4,868	233	4,345	137	9,778
Foreign currency translation	-	-	-	(10)	-	(10)
Profit / (loss) for the period	-	-	-	12	(35)	(23)
Dividends paid	-	-	-	(390)	-	(390)
At 30 June ‘15	**195**	**4,868**	**233**	**3,957**	**102**	**9,355**

6 months to 30 June ‘14	Share capital	Share premium	Special reserve	Retained earnings	Non-controlling Interest	Total equity
	£’000	£’000	£’000	£’000	£’000	£’000
At 1 January ‘14	195	4,868	233	4,717	(3)	10,010
Foreign currency translation	-	-	-	(46)	-	(46)
(Loss) / Profit for the period	-	-	-	(286)	33	(253)
Dividends paid	-	-	-	(800)	-	(800)
At 30 June ‘14	**195**	**4,868**	**233**	**3,585**	**30**	**8,911**

12 months to 31 December ‘14	Share capital	Share premium	Special reserve	Retained earnings	Non-controlling Interest	Total equity
	£’000	£’000	£’000	£’000	£’000	£’000
At 1 January ‘14	195	4,868	233	4,717	(3)	10,010
Foreign currency translation	-	-	-	(28)	-	(28)
Profit for the period	-	-	-	456	140	596
Dividends paid	-	-	-	(800)	-	(800)
At 31 December ‘14	**195**	**4,868**	**233**	**4,345**	**137**	**9,778**

Notes to the financial statements

For the 6 months ended 30 June 2015

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 2014 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 18 September 2015.

2. Basis of preparation

This condensed consolidated interim financial information for the 6 months ended 30 June 2015 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 Group for the period ending 31 December 2014 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 Group for the year ended 31 December 2014.

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 companies Retail Profile Europe Limited and Retail Profile Europe GmbH.

5. Segmental reporting

The Group maintains its head office in Glasgow and an office in Hamburg, Germany. These are reported separately. The Group operates both Promotional Sales and Retail RMU businesses in both the UK and 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 presents revenue and profit and loss information regarding the Group's two business segments - Promotional Sales and Retail, split by geographic area.

Other segment represents the Groups investments in S&P+ and SpaceandPeople India.

	Promotions UK	Promotions Germany	Retail RMUs UK	Retail RMUs Germany	Head Office	Other	Group
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6 months to 30 June '15							
Revenue	1,425	612	1,417	1,237	-	1,329	6,020
Segment operating profit/(loss)	**328**	**279**	**27**	**60**	**(649)**	**(68)**	**(23)**
6 months to 30 June '14							
Revenue	1,539	603	1,510	1,346	-	2,127	7,125
Segment operating profit/(loss)	**248**	**88**	**(12)**	**60**	**(703)**	**70**	**(249)**
12 months to December '14							
Revenue	3,603	2,507	3,277	2,988	-	3,071	15,446
Segment operating profit/(loss)	**951**	**169**	**96**	**417**	**(1,183)**	**294**	**744**

6. Non-recurring costs

During the prior interim period, the Group took steps to reduce costs and streamline overheads, as a result non-recurring costs of £163k were incurred. This was as a result of redundancy costs (£88k) and the Group also made provision for possible retrospective costs in relation to UK centre costs (£75k.) No non-recurring costs occurred in the current period.

7. Goodwill

Net book value	6 months to 30 June '15	6 months to 30 June '14	12 months to 31 December '14
	£'000	£'000	£'000
Opening Balance	8,225	8,225	8,225
Closing Balance	**8,225**	**8,225**	**8,225**

8. Other intangible assets

Net book value	6 months to 30 June '15 £'000	6 months to 30 June '14 £'000	12 months to 31 December '14 £'000
Opening Balance	18	7	7
Additions	15	15	30
Amortisation	(5)	(11)	(19)
Closing Balance	**28**	**11**	**18**

9. Property, plant and equipment

Net book value	6 months to 30 June '15 £'000	6 months to 30 June '14 £'000	12 months to 31 December '14 £'000
Opening Balance	1,374	1,590	1,590
Additions	512	133	245
Depreciation	(185)	(224)	(461)
Closing Balance	**1,701**	**1,499**	**1,374**

10. Cash & cash equivalents

	30 June '15 £'000	30 June '14 £'000	31 December '14 £'000
Cash at Bank and on hand	1,028	1,261	2,115
	1,028	**1,261**	**2,115**

11. Non-current liabilities

As at 30 June 2015, SpaceandPeople had drawn down £750k (June 2014: £1,250k) of its agreed bank facility of £2million. The amount drawn is part of a revolving credit facility of which £1million is repayable by 31 December 2015 and £1million is repayable by 31 July 2017.

12. Dividends

	30 June '15 £'000	30 June '14 £'000	31 December '14 £'000
Paid during the period	390	800	800

13. Called up share capital

Allotted, issued and fully paid			30 June '15	30 June '14	31 December '14
Class	Nominal value				
Ordinary	1p	£	195,196	195,196	195,196
		Number	19,519,563	19,519,563	19,519,563

14. 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.

	30 June '15	30 June '14	31 December '14
	£'000	£'000	£'000
Profit / (loss) after taxation	12	(286)	456

Weighted average number of shares in issue during the period	'000	'000	'000
- 1p ordinary shares	19,520	19,492	19,520
- Share options	1,883	2,453	2,188
- Diluted ordinary shares	21,403	21,945	21,708

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