

SpaceandPeople plc

("SpaceandPeople" and the "Company")

Preliminary Results

SpaceandPeople, the retail, promotional and brand experience specialist, is pleased to announce its preliminary results for the 12 months ended 31 December 2018.

Financial Highlights

- Gross revenue of £18.8 million (2017: £22.4 million)
- Net revenue of £7.9 million (2017: £10.0 million)
- Loss before taxation and non-recurring items attributable to shareholders of £0.1 million (2017: £1.2 million profit)
- Basic Earnings per Share before non-recurring costs of (2.2)p (2017: 4.8p)
- Cash at year end of £0.8 million with no bank borrowing (2017: £2.7 million)
- Proposed dividend of 0.5p per share (2017: 1.5p)

Operational Highlights

- Continued focus on core UK and German markets
- Challenging trading conditions in all divisions, but with pleasing contract renewals during the year with Landsec and M&G in the UK
- Continued programme of costs reduction
- Strengthening of senior team creating good opportunities
- Hammerson contract win (UK) and ECE contract extension (Germany) since the start of 2019

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Chairman's Statement

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

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

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

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

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

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

George Watt
Chairman
22 March 2019

Strategic Report

Principal Activities

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

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

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

Review of Business and Future Developments

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

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

Principal Risks and Uncertainties

The principal risks identified in the business are:

Loss of client(s) – Each year a number of the Group's contracts with clients come to an end. At this point, some are renewed, some are not renewed and others are renegotiated. When the amount of business that we transact with an established client reduces, it can take time to replace this income with business from new clients. The Group is not overly reliant on any single client and the loss of a significant client, although unwelcome, would not put the viability of the business at risk.

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

Loss of key personnel – The unexpected loss of a member of our senior management team could have a negative effect on the business in the short term, however, we have a management team of eight members who are encouraged and required to engage with and assist their colleagues in other areas of the business to ensure that understanding and exchange of ideas is a core element of their roles. This ensures that the business is not at risk while we seek to replace the member or conduct a reorganisation of the team.

System failure – Whilst no guarantees can be given that all possible eventualities are covered, the Group has comprehensive and strict policies and contingency plans concerning power outages, telecommunications failure, virus protection, hardware and software failure, frequent and full offsite backup of all data and disaster recovery. Contracts and service level agreements are in place with reputable suppliers to ensure that any disruption and risk to the business is kept to an absolute minimum. The adequacy and appropriateness of these policies and plans are reviewed on a regular basis. Significant hardware and systems upgrades were completed during 2018 and a strengthened disaster recovery process was established in early 2019.

Legal claims – The Group constantly reviews its exposure to possible legal claims and takes appropriate advice and action to protect both itself and its clients where any avoidable risk is identified, for example, by amending terms and conditions, service agreements, licences and risk assessments.

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

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

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

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

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

Key Performance Indicators

The key performance indicators are:

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

By order of the Board

Gregor Dunlay
Company Secretary
22 March 2019

Chief Executive Officer's Review

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

The key reasons for the poor performance were:

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

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

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

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

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

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

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

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

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

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

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

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

Matthew Bending
Chief Executive Officer
22 March 2019

Operating and Financial Review

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

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

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

Revenue

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

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

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

Administrative Expenses

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

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

Profit

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

Basic Earnings per Share ("EPS") fell to negative 2.2p (2017: positive 4.8p). Fully diluted EPS fell to negative 2.2p (2017: positive 4.3p). Basic EPS is calculated as profit after tax and before non-recurring costs attributable to the owners of the Company divided by the weighted average number of shares in issue during the year which was 19,519,563 (2017: 19,519,563). Fully diluted EPS also takes into account the number of shares that would be

issued on the exercise of outstanding share options. The weighted average number of shares used to calculate the diluted EPS was 21,548,024 (2017: 21,840,060). Where EPS is negative, dilution is not permitted to reduce the negative EPS

Cash Flow

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

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

Dividends

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

Gregor Dunlay
Chief Financial Officer
22 March 2019

Corporate Governance Report

Introduction

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

The Board

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

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

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

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

Where Directors have concerns, which cannot be resolved in connection with the running of the Group or a proposed action, their concerns would be recorded in the Board minutes. This course of action has not been required to date. The

Directors can obtain independent professional advice at the Company's own expense in performance of their duties as Directors.

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

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

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

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

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

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

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

Attendance at Board and Committee Meetings

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

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

¹ Resigned on 29 June 2018

² Appointed on 29 June 2018

Audit Committee

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

The Committee's main role and responsibilities are to:

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

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

Internal control procedures

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

Relations with shareholders

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

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

Remuneration Report

Remuneration Committee

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

The Committee's main roles and responsibilities are to:

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

The Committee meets at least once a year.

Remuneration of Executive Directors

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

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

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

Remuneration of Non-Executive Directors

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

Directors' remuneration

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

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

¹ Resigned as a Director on 29 June 2018

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

Directors' interests in shares

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

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

¹ Charles Hammond resigned as a Director on 29 June 2018

² Richard Chadwick resigned as a Director on 25 April 2017

Directors' interests in share options

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

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

All of these share options are subject to performance criteria.

Steve Curtis
Chairman of the Remuneration Committee
22 March 2019

Consolidated Statement of Comprehensive Income

For the 12 months ended 31 December 2018

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

Consolidated Statement of Financial Position

At 31 December 2018

| | Notes | 31 December '18 £'000 | 31 December '17 £'000 |
|----------------------------|-------|--------------------------|--------------------------|
| Assets | | | |
| Non-current assets: | | | |
| Goodwill | 12 | 7,981 | 8,225 |

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

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

Signed on behalf of the Board of Directors by:

M J Bending – Director

Consolidated Statement of Cash Flows

For the 12 months ended 31 December 2018

| | Notes | 12 months to 31 December '18 £'000 | 12 months to 31 December '17 £'000 |
|---|-------|--|--|
| Cash flows from operating activities | | | |
| Cash generated from operations | | (1,389) | 2,559 |
| Interest received | | 7 | 12 |
| Interest paid | 8 | (7) | (35) |
| Taxation | | (29) | (136) |
| Net cash inflow from operating activities | | (1,418) | 2,400 |
| Cash flows from investing activities | | | |
| Purchase of intangible assets | 13 | - | (12) |
| Purchase of property, plant & equipment | 14 | (107) | (111) |
| Net cash outflow from investing activities | | (107) | (123) |
| Cash flows from financing activities | | | |
| Bank facility repaid | | - | (1,200) |
| Dividends paid | 11 | (293) | - |
| Net cash (outflow) from | | (293) | (1,200) |

financing activities

| | | | |
|---|-----------|----------------|--------------|
| (Decrease) / Increase in cash and cash equivalents | | (1,818) | 1,077 |
| Cash and cash equivalents at beginning of period | | 2,661 | 1,584 |
| Cash and cash equivalents at end of period | 17 | 843 | 2,661 |

Reconciliation of operating profit to net cash flow from operating activities

| | | | |
|---|----|----------------|--------------|
| Operating (loss) / profit | | (415) | 1,176 |
| Write off of goodwill | 12 | 244 | - |
| Amortisation of intangible assets | 13 | 11 | 18 |
| Depreciation of property, plant & equipment | 14 | 405 | 522 |
| Effect of foreign exchange rate moves | | (5) | 6 |
| (Increase) in receivables | | (186) | (17) |
| (Decrease) / Increase in payables | | (1,443) | 854 |
| Cash flow from operating activities | | (1,389) | 2,559 |

Consolidated Statement of Changes in Equity**For the 12 months ended 31 December 2018**

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

Notes to the Financial Statements

For the 12 months ended 31 December 2018

1. General information

SpaceandPeople plc is a public limited company incorporated and domiciled in Scotland (registered number SC21 2277) which is listed on AIM (dealing code SAL).

2. Basis of preparation

The Group's financial statements for the period ended 31 December 2018 and for the comparative period ended 31 December 2017 have been prepared on a going concern basis under the historical cost convention in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Future accounting developments

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

| <u>Title</u> | <u>Implementation</u> | <u>Effect on Group</u> |
|---|---|------------------------|
| IFRS 15 – Revenue from contracts with Customers | Annual periods beginning on or after 1 January 2018 | None |
| IFRS 9 – Financial Instruments | Annual periods beginning on or after 1 January 2018 | No material impact |

The following standard will be introduced in future periods

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

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

3. Accounting policies

Statement of compliance

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

Basis of consolidation

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

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

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

Investments in subsidiaries

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

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is shown net of value-added tax, rebates and discounts and after eliminating intergroup sales. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Group and when any specific delivery criteria have been met.

Commission

Revenue from commission receivable while acting as agent is recognised when the following conditions are satisfied;

- Contract is agreed with promoter / merchant
- Venue acceptance of contract
- Invoice issued and no further input anticipated

Acting as principal

Revenue from agreements where we act as principal i.e. renting space from venues and reselling to promoters and operators, is recognised as gross revenue receivable by us, with the corresponding amount payable to the venue owner being recognised in cost of sales.

Leasing Income

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

Licence Fees

Licence fee revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest income

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

Leasing

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

Property, plant & equipment

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

| | | |
|---------------------|---|---------------|
| Plant & equipment | - | 12.5% of cost |
| Fixtures & fittings | - | 25% of cost |
| Computer equipment | - | 25% of cost |
| Computer software | - | 33% of cost |

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

Intangible assets

Website development costs

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

Patents and trademarks

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

Impairment of non-current assets

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

Leasing commitments

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

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

Taxation

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

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

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

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

Foreign exchange

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

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

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

Financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

Equity instruments

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

Share based payments

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

Pensions

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

Critical accounting judgements and estimates

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

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

Borrowing costs

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

4. Segmental reporting

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

The following tables present revenues, results and asset and liability information regarding the Group's two core business segments - Promotional Sales and Retail, split by geographic area, after licence fees and management charges made between Group companies. The Other segment incorporates SpaceandPeople India.

| <u>Segment revenues and results</u> <u>for 12 months to</u> | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Head Office £'000 | Other £'000 | Group £'000 |
|--|--------------------------|-------------------------------|-----------------------|----------------------------|-------------------------|----------------|----------------|
|--|--------------------------|-------------------------------|-----------------------|----------------------------|-------------------------|----------------|----------------|

31 December '18

| | | | | | | | |
|--------------------------------------|--------------|------------|--------------|--------------|----------|-----------|--------------|
| Continuing operations Revenue | 3,238 | 369 | 3,062 | 1,236 | - | 34 | 7,939 |
| Cost of sales | - | - | (2,252) | (634) | - | - | (2,886) |
| Administrative expenses | (2,609) | (582) | (316) | (934) | (830) | (89) | (5,360) |
| Other revenue | - | 60 | - | 76 | - | - | 136 |
| Non-recurring costs | (244) | - | - | - | - | - | (244) |

| | | | | | | | |
|--|------------|--------------|------------|--------------|--------------|-------------|--------------|
| Segment operating profit / (loss) | 385 | (153) | 494 | (256) | (830) | (55) | (415) |
|--|------------|--------------|------------|--------------|--------------|-------------|--------------|

| | | | | | | | |
|----------------|-----|---|---|---|---|---|-----|
| Finance income | - | - | - | - | - | 7 | 7 |
| Finance costs | (7) | - | - | - | - | - | (7) |

| | | | | | | | |
|--|------------|--------------|------------|--------------|--------------|-------------|--------------|
| Segment profit / (loss) before taxation | 378 | (153) | 494 | (256) | (830) | (48) | (415) |
|--|------------|--------------|------------|--------------|--------------|-------------|--------------|

| <u>Segment assets and liabilities as at 31 December '18</u> | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Other £'000 | Group £'000 |
|---|-----------------------|----------------------------|--------------------|-------------------------|----------------|----------------|
| Total segment assets | 6,819 | 469 | 4,676 | 599 | 667 | 13,230 |
| Total segment liabilities | (2,064) | (495) | (1,051) | (316) | (49) | (3,975) |
| Total net assets | 4,755 | (26) | 3,625 | 283 | 618 | 9,255 |

| <u>Segment revenues and results for 12 months to 31 December '17</u> | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Head Office £'000 | Other £'000 | Group £'000 |
|--|-----------------------|----------------------------|--------------------|-------------------------|----------------------|----------------|----------------|
|--|-----------------------|----------------------------|--------------------|-------------------------|----------------------|----------------|----------------|

| | | | | | | | |
|--------------------------------------|--------------|------------|--------------|--------------|----------|-----------|--------------|
| Continuing operations revenue | 3,695 | 807 | 3,438 | 1,993 | - | 62 | 9,995 |
|--------------------------------------|--------------|------------|--------------|--------------|----------|-----------|--------------|

| | | | | | | | |
|-------------------------|---------|-------|---------|---------|---------|-------|---------|
| Cost of sales | - | - | (2,648) | (741) | - | - | (3,389) |
| Administrative expenses | (1,710) | (895) | (389) | (1,230) | (1,307) | (109) | (5,640) |
| Other revenue | - | 69 | - | 141 | - | - | 210 |

| | | | | | | | |
|--|--------------|-------------|------------|------------|----------------|-------------|--------------|
| Segment operating profit / (loss) | 1,985 | (19) | 401 | 163 | (1,307) | (47) | 1,176 |
|--|--------------|-------------|------------|------------|----------------|-------------|--------------|

| | | | | | | | |
|----------------|------|---|---|---|---|----|------|
| Finance income | - | - | - | - | - | 12 | 12 |
| Finance costs | (35) | - | - | - | - | - | (35) |

| | | | | | | | |
|--|--------------|-------------|------------|------------|----------------|-------------|--------------|
| Segment profit / (loss) before taxation | 1,950 | (19) | 401 | 163 | (1,307) | (35) | 1,153 |
|--|--------------|-------------|------------|------------|----------------|-------------|--------------|

| <u>Segment assets and liabilities as at 31 December '17</u> | Promotion UK £'000 | Promotion Germany £'000 | Retail UK £'000 | Retail Germany £'000 | Other £'000 | Group £'000 |
|---|-----------------------|----------------------------|--------------------|-------------------------|----------------|----------------|
| Total segment assets | 7,486 | 725 | 5,386 | 1,077 | 741 | 15,415 |
| Total segment liabilities | (2,882) | (493) | (1,336) | (383) | (71) | (5,165) |
| Total net assets | 4,604 | 232 | 4,050 | 694 | 670 | 10,250 |

5. Operating (loss) / profit

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

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

6. Staff costs

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

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

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

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

7. Non-recurring costs

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

8. Finance income and costs

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

9. Taxation

| | 12 months to December '18 | 12 months to December '17 |
|--|------------------------------|------------------------------|
|--|------------------------------|------------------------------|

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

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

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

10. Profit for the period

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The Group profit for the period includes a Company loss after tax and before dividends of £478k after the incorporation of all UK head office costs (2017 profit: £570k) which is dealt with in the financial statements of the parent Company.

11. Dividends

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

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

12. Goodwill

| | £'000 |
|--------------------------------------|---------------------|
| Cost | |
| At 31 December 2016 | 8,225 |
| Additions | <u>-</u> |
| At 31 December 2017 | 8,225 |
| Additions | <u>-</u> |
| At 31 December 2018 | <u>8,225</u> |
| Accumulated impairment losses | |
| At 31 December 2016 | - |
| Charge for the period | <u>-</u> |

| | |
|-----------------------|--------------|
| At 31 December 2017 | - |
| Charge for the period | 244 |
| At 31 December 2018 | 244 |
| Net book value | |
| At 31 December 2016 | 8,225 |
| At 31 December 2017 | 8,225 |
| At 31 December 2018 | 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 businesses of the UK Retail sub group and SpaceandPeople India Pvt Limited are identifiable CGUs and the carrying amount of Goodwill is allocated against these CGUs. During 2018 it was decided that the value of the goodwill in SpaceandPeople India Pvt Limited of £244,000 should be impaired in full. Goodwill for the UK Retail sub group remains unchanged at £7,981,000.

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

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

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

Cash flow projections during the budget period are based on an average growth in EBITDA which the Directors consider to be conservative given the plans for the businesses and the potential increased returns particularly in relation to the pipeline of new business opportunities. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each CGU.

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

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

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

13. Other intangible assets

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

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

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

14. Property, plant and equipment

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

| Cost | Plant & equipment £'000 | Fixture & fittings £'000 | Computer equipment £'000 | Total £'000 |
|-----------------------|----------------------------|-----------------------------|-----------------------------|----------------|
| At 31 December 2016 | 3,040 | 274 | 574 | 3,888 |
| Additions | 8 | 3 | 100 | 111 |
| At 31 December 2017 | 3,048 | 277 | 674 | 3,999 |
| Additions | 6 | 9 | 92 | 107 |
| At 31 December 2018 | 3,054 | 286 | 766 | 4,106 |
| Depreciation | Plant & Equipment £'000 | Fixture & Fittings £'000 | Computer Equipment £'000 | Total £'000 |
| At 31 December 2016 | 1,643 | 249 | 438 | 2,330 |
| Charge for the period | 418 | 4 | 100 | 522 |
| At 31 December 2017 | 2,061 | 253 | 538 | 2,852 |
| Charge for the period | 292 | 10 | 103 | 405 |
| At 31 December 2018 | 2,353 | 263 | 641 | 3,257 |
| Net book value | Plant & equipment £'000 | Fixture & Fittings £'000 | Computer Equipment £'000 | Total £'000 |
| At 31 December 2016 | 1,397 | 25 | 136 | 1,558 |
| At 31 December 2017 | 987 | 24 | 136 | 1,147 |
| At 31 December 2018 | 701 | 23 | 125 | 849 |

15. Deferred tax

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

16. Trade and other receivables

| | 31 December '18 £'000 | 31 December '17 £'000 |
|--|--------------------------|--------------------------|
| Trade debtors | 2,700 | 2,626 |
| Other debtors | 476 | 458 |
| Prepayments | 377 | 283 |
| Total | 3,553 | 3,367 |
| Amounts falling due after more than one year included above are: | 412 | 424 |

The maximum exposure to credit risk at the balance sheet date is the carrying amount of receivables detailed above. The Group does not hold any collateral as security.

The Directors do not believe that there is a significant concentration of credit risk within the trade receivables balance. As of 31 December 2018, trade receivables of £881k (2017: £784k) were past due but not impaired.

The ageing of trade debtors:

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

17. Cash and cash equivalents

| | 31 December '18 £'000 | 31 December '17 £'000 |
|--------------------------|--------------------------|--------------------------|
| Cash at bank and on hand | 843 | 2,661 |
| | 843 | 2,661 |

18. Trade and other payables

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

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

19. Financial instruments and risk management

The Group has no material financial instruments other than cash, current receivables and liabilities, in both this and the prior period, all of which arise directly from its operations. The net fair value of its financial assets and liabilities is the same as their carrying value as detailed in the balance sheet and related notes.

Credit risk – The Group's credit risk relates to its receivables and is managed by undertaking regular credit evaluations of its customers.

Liquidity risk – The Group operates a cash-generative business and holds net funds. The Directors consider the funding structure to be adequate for the Group's current funding requirements and this is expected to strengthen further during 2019.

Borrowing facilities – The Group has agreed facilities of £1.25 million, of which £nil was utilised at the year end. These facilities are secured by a floating charge.

Financial assets – These comprise cash at bank and in hand. All bank deposits are floating rate.

Financial liabilities – These include short-term creditors and a revolving credit facility of £1 million, of which £nil was utilised at the year end. All financial liabilities will be financed from existing cash reserves and operating cash flows.

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

20. Operating lease commitments

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

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

21. Called up share capital

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

22. Related party transactions

Compensation of key management personnel

Key management personnel of the Group are defined as those persons having authority and responsibility for the planning, directing and controlling the activities of the Group, directly or indirectly. Key management of the Group are therefore considered to be the directors of SpaceandPeople plc. There were no transactions with the key management, other than their emoluments, which are set out in the remuneration report.

23. Earnings per share

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

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

Basic earnings per share

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

| | 12 months to 31 December '18 £'000 | 12 months to 31 December '17 £'000 |
|---|--|--|
| (Loss) / profit after tax for the period attributable to owners of the Company | (679) | 933 |
| Non-recurring items | 244 | - |
| (Loss) / profit after tax for the period before non-recurring costs attributable to owners of the company | (435) | 933 |
| | 12 months to 31 December '18 '000 | 12 months to 31 December '17 '000 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 19,520 | 19,520 |

Diluted earnings per share

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

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

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

| | 12 months to 31 December '18 '000 | 12 months to 31 December '17 '00 |
|--|---|--|
| Weighted average number of shares in issue during the period | 19,520 | 19,520 |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share deemed to be issued for no consideration in respect of employee options | 2,028 | 2,320 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 21,548 | 21,840 |

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

24. Share options

The Group has established a share option scheme that senior executives and certain eligible employees are entitled to participate in at the discretion of the Board which is advised on such matters by the Remuneration Committee.

In aggregate, share options have been granted under the share option scheme over 769,325 ordinary shares exercisable within the dates and at the exercise prices shown below, being the market value at the date of the grant.

| Date of grant | Number | Option period | Price |
|-----------------|---------|-----------------------------------|-------|
| 12 January 2015 | 419,325 | 12 January 2018 – 12 January 2025 | 47.4p |
| 27 March 2017 | 350,000 | 29 March 2020 – 27 March 2027 | 22.0p |

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

| | 12 months to 31 December '18 | 12 months to 31 December '17 |
|---|---------------------------------|---------------------------------|
| Number of options outstanding as at the beginning of the period | 1,885,522 | 1,557,235 |

| | | |
|---|-------------|-----------|
| Granted | - | 400,000 |
| Lapsed | (1,016,197) | - |
| Forfeited | (100,000) | (71,713) |
| Number of options outstanding as at the end of the period | 769,325 | 1,885,522 |

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

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

25. Save As You Earn Scheme

The Group has a Save As You Earn ("SAYE") scheme that all UK based employees are entitled to participate in. The scheme runs for three years from 1 July 2017 with the opportunity to buy shares at a price of 19.5p, a 20% discount on the average closing share price on the three working days from 20 to 24 April 2017.

Share options have been granted under the SAYE scheme over 376,604 ordinary shares exercisable within the dates and at the exercise prices shown below, being the market value at the date of the grant.

| Date of grant | Number | Option period | Price |
|---------------|---------|--------------------------------|-------|
| 18 May 2017 | 376,604 | 1 July 2020 – 31 December 2020 | 19.5p |

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

| | 12 months to 31 December '18 | 12 months to 31 December '17 |
|---|---------------------------------|---------------------------------|
| Number of options outstanding as at the beginning of the period | 675,200 | 147,284 |
| Granted | - | 688,783 |
| Lapsed | (21,677) | - |
| Forfeited | (276,919) | (160,867) |
| Number of options outstanding as at the end of the period | 376,604 | 675,200 |

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

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