SpaceandPeople plc

("SpaceandPeople" or the "Company")

Final results for the year ended 31 December 2019

SpaceandPeople (AIM:SAL) the retail, promotional and brand experience specialist, is pleased to announce its final results for the year ended 31 December 2019.

Financial Highlights

Gross revenue of £17.3 million (2018: £18.8 million)

Net revenue of £7.7 million (2018: £8.1 million)

Operating profit before non-recurring costs of £0.1million (2018: restated loss of £0.05 million)

Basic Earnings per Share before non-recurring costs of 0.4p (2018: (1.7)p) with no non-recurring costs in 2019

Net cash at year end of £0.5 million (2018: £0.8 million)

Operational Highlights

New RMU agreements with German shopping centre groups

Successful introduction of Activate! concept in the UK

Revival of the German retail division

Hammerson and ASDA contract wins

Extension to NRIL contract

Chairman's Statement

Whilst this report and accounts cover the period ended 31 December 2019, it is the period since mid-March this year which has dominated events not just at your company but also the global economy.

It is against this backdrop that we report on last year which had a number of positive outcomes including a return to profitability, contract renewals in the UK and significant progress in Germany.

During the first half of 2020 management's focus has been on ensuring the business survives the impact of COVID-19 and the lockdown measures which have been imposed by government to control the pandemic. As we now begin to emerge from these it is unclear how quickly and fully the economies of the UK and Germany will recover. Priorities have therefore been on cost control, cash management and ensuring the business is in the strongest possible shape for the uncertain future we face. Matthew Bending's CEO report covers these in more detail, but accessing additional financing through CBILS and making use of government furloughing schemes to strengthen the Group's financial position, keeping in close contact with property groups and customers and identifying innovative new products have all been successfully progressed.

During these challenging times, it is my pleasure to welcome two new Directors to the Board. Andrew Keiller has been a key member of the management team since joining SpaceandPeople in 2012 and his appointment to the Board as Client Services Director brings important insight into our client relationships. Graham Bird has known SpaceandPeople for some time through his involvement with Gresham House and is a valuable addition to the non-executive side of the Board.

There have also been a number of hard decisions which we have had to make, including not proposing a dividend for the year in order to preserve the Group's cash.

On behalf of my board colleagues, I would like to thank all staff and management across the business for their hard work in 2019 and the challenging months of 2020 to date. It is much appreciated.

George Watt
Chairman
26 June 2020

Chief Executive Officer's Review

Introduction

As you might expect, I would like to start my review with a summary of the risks that coronavirus poses to the business, the actions we are taking to mitigate the material impact that is currently being felt, and the ongoing risks.

It is very clear that the pandemic has had a profound impact on the economies of the countries in which we operate and that our major clients in both retail and transport have been at the centre of it.

Our revenue streams stopped completely and abruptly in the UK, Germany and India during March 2020. As I write this, the majority of UK and German shopping centres are reopening, but with lower footfall at present. This has led to significant issues in our business that will continue for some time to come.

Decreased footfall and the need for social distancing restrict the appeal of promotions and the availability of space and of people in both Shopping Centres and Railway Stations. As a result, the business has prepared for a substantive downturn in sales for the duration of the pandemic and beyond by conserving cash, reducing overheads, cancelling discretionary expenditure and obtaining additional funding.

At this time it is extremely difficult to calculate the medium to long term effects that this virus will have on our business, as both the retail and transport sectors are not running normally in any sense at the moment.

Our current thoughts are that:

- any return to shopping malls must be safe and work practices reflect new health and safety demands;
- the availability of venues and space within those venues will be constrained and regionally variable to allow normal operations;
- retail operators will be the first to want to return to venues and will accommodate all necessary working practices in order to do so; and
- Brand Experience and customer engagement activities will be slower to return to normal as the effects of social distancing can impact on the effectiveness of these activities.

As a business, we took immediate action to respond to the economic risks arising from the UK and Germany wide lockdowns. Initially, all staff were quickly mobilised to work remotely from home, we cancelled the proposed dividend and immediately produced reforecasts which enabled us to apply swiftly for the Government-backed Coronavirus Business Interruption Loan Scheme ("CBILS"), where we successfully accessed a £1 million five-year-term loan through this scheme in addition to our existing facilities. Inclusive of the CBILS loan, the group has access to £2.25 million of bank facilities, through a combination of committed facilities and overdraft. As at 31 May 2020, £1.75 million was drawn and the Group had £1.54 million of cash.

We are also now making use of the Job Retention Scheme ("JRS") to furlough the majority of our UK staff and we are using the equivalent German scheme to furlough staff there. As we come out of this period, we will take further appropriate measures to ensure that the running costs of the business are appropriate for the scale of the business going forward.

We are clear, however, about our strategy; we have to ensure that we remain relevant to landlords and space users. We are adapting quickly and effectively as circumstances develop and from the beginning of the pandemic, we identified three key stages to survival.

Pause – Emerge – Thrive

Pause

The first stage was to ensure that the business took all possible measures to operate efficiently and conserve cash during the pandemic while striving to meet our commitments to venues, promoters, retailers and all other stakeholders in the business.

This has been achieved through a number of actions. We have taken advantage of state assistance wherever possible, including salary support schemes, the business interruption loan scheme and tax authority payment holidays. We have cancelled all discretionary expenditure including non-essential capital purchases and have sought to reduce overheads wherever possible, for example, by reducing office lease costs and suspending minimum income guarantee payments. We have also cancelled the proposed final dividend for 2019 which alone has allowed us to retain almost £150k of cash. It was very encouraging through this initial phase that we retained the support of our key clients, promoters, retailers and lenders and we are grateful to them for this.

Emerge

The main thought behind the Emerge phase of our strategy is that, as we begin to come out of lockdown, the immediate needs of our business as well as the needs of our partners will be very different to the way we normally operate. Cashflow will be a constraint for a number of parties and the continued need for social distancing and enhanced health and safety requirements will change the way we all operate. The availability of space within venues will also be curtailed and altered.

A key part of the Emerge phase of our strategy is a concept called "Revive". Clients have experienced an increase in empty shop units in their venues and we have been actively engaging with them to help fill these empty units with operators who either cannot currently use the mall space due to the need for social distancing, are looking for a route to sell significant levels of stock that has built up during the lockdown period, or are looking to move into a new business model (mainly retailers looking to take advantage of the rates holiday and turnover only deals). This is intended to be a temporary solution until venues and operators get back on track and it has been well received by property clients and a new breed of short term retailers who are looking to trial conventional brick and mortar shopping locations, maybe for the first time. We believe that landlord/retailer relationship have to evolve, as old retailers disappear and new retailers decide whether to go online or take units in malls. I am confident that traditional shopping can thrive again, but finding innovative retailers requires an approach that is not delivered by traditional leasing agents.

From a standing start, we have brought over 50 new retailers to the attention of UK landlords, offering attractive models for empty units on short term leases. These new retailers will have an opportunity to become established whilst being helped by the non-domestic rates assistance into 2021. This is a creative and dynamic concept and shows that SpaceandPeople are yet again at the forefront of delivering innovation to UK malls. This will also be a key component of the Thrive phase of our strategy.

Thrive

Through cost reductions, amended business practices, enhanced liquidity, IT improvements and innovation we have already put in place a number of the key components of our Thrive strategy. Once we are more aware of the commercial landscape and the needs and aspirations of our clients and promoters, we know that we will be able to adapt in a rapid and flexible way in order to assist and get business booming again.

Despite the difficulties of this period, it has inspired us to innovate, remodel our business and prepare to take advantage of the opportunities it presents.

2019 Performance

For us, 2019 was a year in which considerable effort was required to maintain performance and I am pleased to report that we returned to profitability during the year. Although overall gross revenue decreased from £18.8 million to £17.3 million, net revenue showed a more modest decline from £8.1 million to £7.7 million. Despite this, planned cost savings enabled us to return to an operating profit of £0.1 million, compared with a £0.05 million operating loss (before non-recurring items) in 2018. The environment in UK shopping centres was challenging with a macro backdrop of multiple retailer failures and commercial property increasingly under a negative spotlight, exacerbated by considerable uncertainty from Brexit. However, despite this landscape we managed to move to profitability and had some notable highlights.

I was delighted that Hammerson decided to re-join our service during 2019 and this will allow us to generate additional revenue in both our UK promotions and retail divisions. It was also great to have LandSec and M&G Investments, two major clients, extend long standing contracts. We also added notable individual venues such as Victoria Place Shopping Centre in London and delivered new concepts such as Activate!

Activate!

The Activate! programme developed as a result of one of our major clients wanting more enlivenment than was commercially available and to be a closer partner to educational, artistic and voluntary organisations. They challenged us to make these organisations aware of the opportunities that are available and to get them excited about how the correct high footfall space could enable them to engage with the public in a way that was totally new for them. We have engaged with museums, art galleries, orchestras and local education institutions amongst others, to introduce them to using previously prohibitively expensive promotion space as fantastic recruiting grounds for their engagement programmes. We achieved nearly 30 Activate! campaigns in 2019 from a standing start with notable users such as the Imperial War Museum, South Bank, Natural History Museum, and interactive life drawing classes. It has been tremendously well received by clients, promoters and the public alike. We see the expansion of this concept as being an essential part of rejuvenating the shopping mall offer in the future and we currently have a significant pipeline of interested users when malls and stations return to normal operations.

UK Promotions

The UK promotional division delivered Brand Experience and national retail revenues that were similar or slightly improved compared with 2018, which is commendable given the challenges the UK shopping centres industry faced during the year. It is interesting to note that the number of Brand Experience bookings transacted during 2019 increased dramatically compared with 2018, with one client seeing the number of days utilised increase by 20%. However, the average value of each booking was lower than in the past and, as a result, revenue remained fairly static.

UK Retail

Within the UK retail division, the average number of Mobile Promotions Kiosks reduced from 60 in 2018 to 54 during 2019. This was a result of the sale of some venues to landlords with whom we do not currently trade. The Retail Merchandising Unit business also suffered as, in the run up to Christmas, there was a lack of demand in some of the locations in which we had units available. These issues affected revenue which decreased from £3.1 million in 2018 to £2.8 million. At present, it is difficult to predict what demand will be in 2020 once venues are fully reopened, but we are working hard to rebuild this business.

Germany

In Germany we saw the expected cessation of almost all promotional revenue as we continued our focus on building the retail business. 2019 began with the final removal of a number of RMUs from ECE malls after the Christmas trading period. During the first half of 2019, discussions were held with ECE and other venue owners and it was anticipated that the number of RMUs in operation would begin to recover over the summer period. Negotiations took longer than anticipated and the roll-out of additional units did not commence until the final quarter of the year. This renewed approach to RMUs from our key German clients led to the number of units operating in November and December 2019 increasing to 120 and on more attractive terms than before. We have a strong pipeline of excellent locations and new retailers for 2020 and beyond who are keen to start trading when possible.

We had anticipated that in 2020, the German retail division would achieve an average of between 80 and 100 RMUs in operation with higher revenue and lower rents generating improved profits. Although this is not now possible, the good news is that footfall in German malls has already returned to around 80% of normal and we currently have 69 units deployed.

Outlook

As a result of the actions we have taken already, we are able to plan for the future rather than just firefighting current problems.

We envisage that pop up, kiosk and Revive retail in the UK and Germany will be prime income drivers seeing the majority of activity coming back in by the end of the year. Brand Experience, local business and MPK bookings are likely to be slower and we do not anticipate them returning to normal levels until during 2021.

We are fortunate that we have an established pipeline of concepts such as Software as a Service (SaaS) that we will roll out this year. Our SaaS system has already been developed and I am pleased to say we are actively engaged with one of our major clients to roll this out during 2020. Our SaaS product is an asset management tool designed to allow users to manage activity throughout their venues in real time. It will link marketing, commercialisation and retail asset management simultaneously, improving communication and management oversight and providing security of operations. We believe that this product is unique in our market and we see it as a positive opportunity to monetise our knowledge and experience beyond being viewed as being rewarded solely for delivering sales.

The return to work will be a stop-start process in the UK in particular and the physical safety of staff and customers will be paramount. We would not be discussing the future with any positivity if it were not for the efforts of the staff and management of SpaceandPeople, our clients, operators and countless other people working selflessly to get through this period. I am grateful for all their efforts and the help that they have provided.

Matthew Bending
Chief Executive Officer
26 June 2020

Operating and Financial Review

The principal focus of the Group during 2019 was to continue the concentration of efforts on our core business units of promotions, Retail Merchandising Units ("RMUs") and Mobile Promotions Kiosks ("MPKs") in both the UK and Germany.

Group revenue was 4% lower than in the previous year, due in large part to a 20% reduction in German retail revenue as the Group adopted a new strategic approach for this division, which was partially offset by a 5% increase in UK promotional revenue.

Despite the decrease in net revenue, the Group delivered an operating profit of £0.1 million compared with an operating loss before non-recurring costs of £0.05 million in 2018. This was as a result of an 8% reduction in administration expenses compared with 2018.

UK Retail revenue fell by 7%, as a result of a 22% drop in the average number of RMUs and MPKs in operation compared with 2018. This was anticipated in the main as specific contracts came to an end.

Revenue

Revenue generated in 2019 was £7.7 million, which was £0.3 million (4%) lower than in the previous year.

UK promotional revenue increased by 5% compared with 2018, to £3.5 million. While trading in the usual revenue streams was broadly comparable with 2018, the increase resulted from new revenue streams such as Activate! and consultancy fees and the exceptionally warm summer of 2018, coinciding with the football World Cup not being repeated during 2019.

UK retail revenue fell by 7% to £2.8 million in 2018, with RMU revenue down 20% and MPK revenue down 4%. The average number of RMUs in operation in the UK fell by 32%, however, average income per RMU increased significantly as a result of both increased rent in RMUs that remained in situ and significantly higher than average rents on new RMU locations. The reduction of 10% in MPK numbers was partially offset by a 5% increase in average rental values.

German promotional revenue decreased by 15% compared with the previous year to £0.3 million as a result of a number of long-term bookings coming to an end. The remainder of these bookings will come to an end during

2020 and it is not anticipated that this division will generate any significant new business for the foreseeable future.

Revenue in the German retail division fell by 20% as a result of a 37% drop in the average number of RMUs in operation during the year to 53 RMUs (2018: 84 RMUs). This was due to the ending of the previous agreement with ECE in January 2019, which was not renewed until late 2019, leading to a low number of RMUs being in use for the majority of the year. The number of RMUs in operation at the end of 2019 had risen again to 80 units.

Administrative Expenses

Due to a continued focus to drive efficiency in the business, administrative expenses reduced again in 2019. The 8% reduction of £0.4 million followed a £0.3 million (5%) reduction in the previous year. With the termination of significant office lease costs occurring in 2020, we will look to continue this trend.

The average number of people employed in the business fell by 12 to 80 in 2019. This was primarily due to a reduction in the number of telesales and commercial staff from 52 to 41, following the wind-down of the German promotional business and a decrease in the number of UK commercial staff.

Profit

The operating profit of £0.1 million represented an improvement of £0.4 million on the previous year (2018: loss of £0.3 million).

Basic Earnings per Share ("EPS") increased to 0.4p (2018: negative 1.7p). Fully diluted EPS increased to 0.3p (2018: negative 1.5p). 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 (2018: 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 20,990,883 (2018: 21,548,024).

Cash Flow

The Group cash inflow from operating activities was £0.2 million (2018: outflow of £1.4 million). This was due to EBITDA being £0.6 million. During the year £0.6 million was added to non-current assets as the addition of £0.6 million of right of use leased assets was capitalised on the balance sheet in accordance with IFRS 16. A dividend of £0.1 million was also paid during the year. As at the end of 2019, the Group had drawn down £0.75 million of its banking facility resulting in the gross cash position being £0.4 million higher at the end of 2019 than 2018, and the net cash position being £0.3 million lower.

Prior Period Adjustment

In January 2020, management discovered that there had been an error in the collection of revenue receivable by the Company in relation to one client. This error related to both the year to 31 December 2019 and the earlier period. As a result of this, a correction has been made to the comparative year revenue, accruals and corporation tax charge, with revenue increasing by £118k and a corporation tax charge of £22k. The client has subsequently cash settled the full amount.

COVID-19

On 19 March 2020, the Group announced its previously proposed final dividend of 0.75p per share at the upcoming Annual General Meeting was being removed as a result of actions being taken to protect the business and preserve cash as a result of COVID-19.

In addition to the cancellation of the dividend, the Group has taken advantage of the JRS in the UK and the equivalent scheme in Germany in order to furlough the majority of staff during this period. Actions were also carried out with our clients, retailers and promoters to suspend payments where appropriate and to support each other through this period in as best a manner as possible. The Group has also accessed a £1.0 million five-year term loan through CBILS which provides significant headroom and certainty for the business going forward.

Gregor Dunlay

Chief Financial Officer
26 June 2020

Consolidated Statement of Comprehensive Income

For the 12 months ended 31 December 2019

	Notes	12 months to 31 December '19 £'000	12 months to 31 December '18 as restated £'000
Revenue	4	**7,735**	**8,057**
Cost of sales	4	(2,865)	(2,886)
Gross profit		**4,870**	**5,171**
Administration expenses		(4,955)	(5,360)
Other operating income		175	136
Operating profit/(loss) before non-recurring costs		**90**	**(53)**
Non-recurring costs	8	-	(244)
Operating profit/(loss)		**90**	**(297)**
Finance income		4	7
Finance costs	9	(23)	(7)
Profit/(loss) before taxation		**71**	**(297)**
Taxation	10	(21)	(304)
Profit/(loss) after taxation		**50**	**(601)**
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		(21)	(5)
Total comprehensive income for the period		**29**	**(606)**
Profit/(loss) for the year attributable to:			
Owners of the Company		68	(578)
Non-controlling interests		(18)	(23)
		50	**(601)**
Total comprehensive income for the period attributable to:			
Owners of the Company		47	(583)
Non-controlling interests		(18)	(23)
Total comprehensive income for the Period		**29**	**(606)**
Earnings/(loss) per share	25		
Basic – Before non-recurring costs		0.4p	(1.7)p
Basic – After non-recurring costs		0.4p	(3.0)p
Diluted – Before non-recurring costs		0.3p	(1.5)p
Diluted – After non-recurring costs		0.3p	(2.7)p

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	31 December '19	31 December '18 as restated
		£'000	£'000
Assets			
Non-current assets:			
Goodwill	13	7,981	7,981
Other intangible assets	14	-	4
Property, plant & equipment	15	894	849
		8,875	**8,834**
Current assets:			
Trade & other receivables	17	3,428	3,553
Cash & cash equivalents	18	1,227	843
		4,655	**4,396**
Total assets		**13,530**	**13,230**
Liabilities			
Current liabilities:			
Trade & other payables	19	3,259	3,559
Current tax payable	19	82	219
		3,341	**3,778**
Non-current liabilities:			
Deferred tax liabilities	16	(3)	101
Lease liabilities	21	160	-
Other borrowings	20	750	-
		907	**101**
Total liabilities		**4,248**	**3,879**
Net assets		**9,282**	**9,351**
Equity			
Share capital	23	195	195
Share premium		4,868	4,868
Special reserve		233	233
Retained earnings		3,771	3,822
Equity attributable to owners of the Company		**9,067**	**9,118**
Non-controlling interest		215	233
Total equity		**9,282**	**9,351**

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2020.

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 2019

	Notes	12 months to 31 December '19	12 months to 31 December '18 as restated
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations		252	(1,367)
Interest received	9	4	7
Interest paid	9	(23)	(7)

	Note		
Taxation		(262)	(51)
Net cash outflow from operating activities		**(29)**	**(1,418)**
Cash flows from investing activities			
Purchase of intangible assets	14	(1)	-
Purchase of property, plant & equipment	15	(47)	(107)
Net cash outflow from investing activities		**(48)**	**(107)**
Cash flows from financing activities			
Bank facility drawn		750	-
Payment of finance lease obligations		(191)	-
Dividends paid	12	(98)	(293)
Net cash inflow/(outflow) from financing activities		**461**	**(293)**
Increase/(decrease) in cash and cash equivalents		**384**	**(1,818)**
Cash and cash equivalents at beginning of Period		843	2,661
Cash and cash equivalents at end of period	18	**1,227**	**843**

Reconciliation of operating profit to net cash flow from operating activities			
Operating profit/(loss)		90	(297)
Write off of goodwill	13	-	244
Amortisation of intangible assets	14	5	11
Depreciation of property, plant & equipment	15	551	405
Effect of foreign exchange rate moves		(13)	(5)
(Increase) / decrease in receivables		125	(304)
Decrease in payables		(506)	(1,421)
Cash inflow/(outflow) from operating activities		**252**	**(1,367)**

Consolidated Statement of Changes in Equity

For the 12 months ended 31 December 2019

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained Earnings £'000	Non-controlling interest £'000	Total equity £'000
At 31 December 2017	**195**	**4,868**	**233**	**4,698**	**256**	**10,250**
Comprehensive income:						
Foreign currency translation	-	-	-	(5)	-	(5)
Loss for the period as restated *	-	-	-	(578)	(23)	(601)
Total comprehensive income	**-**	**-**	**-**	**(583)**	**(23)**	**(606)**
Transactions with owners:						
Dividends paid	-	-	-	(293)	-	(293)
Total transactions with owners	**-**	**-**	**-**	**(293)**	**-**	**(293)**
As at 31 December 2018 as restated *						

	195	**4,868**	**233**	**3,822**	**233**	**9,351**
As at 31 December 2018 as originally stated	**195**	**4,868**	**233**	**3,726**	**233**	**9,255**
Prior period adjustment	**-**	**-**	**-**	**96**	**-**	**96**
Restated total equity as at 31 December 2018	**195**	**4,868**	**233**	**3,822**	**233**	**9,351**
Comprehensive income:						
Foreign currency translation	-	-	-	(21)	-	(21)
Profit/(loss) for the period	-	-	-	68	(18)	50
Total comprehensive income	**-**	**-**	**-**	**47**	**(18)**	**29**
Transactions with owners:						
Dividends paid	-	-	-	(98)	-	(98)
Total transactions with owners	**-**	**-**	**-**	**(98)**	**-**	**(98)**
At 31 December 2019	**195**	**4,868**	**233**	**3,771**	**215**	**9,282**

* See note 7 for details regarding the restatement as the result of an error.

Notes to the Financial Statements

For the 12 months ended 31 December 2019

1. General information

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

2. Basis of preparation

The Group's financial statements for the period ended 31 December 2019 and for the comparative period ended 31 December 2018 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.

Going Concern

The Directors are required to prepare the statutory financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business. In satisfaction of this responsibility the Directors have considered the Group 's ability to meet its liabilities as they fall due.

The Group meets its day to day cash requirements through working capital management and the use of existing bank overdraft and revolving credit facilities. Management information tools including budgets and cash flow forecasts are used to monitor and manage current and future liquidity.

The Group also pays special attention to the recent COVID-19 outbreak and the associated impact on the business, which is detailed within the Chief Executive Officer's Review. This includes:

- The availability of venues and space to sell on behalf of our customers
- Interruption to operations due to an absence of staff for a period due to either contracting the virus or measures taken to contain an outbreak in our offices;
- A fall in revenue and decreased cash flow due to lower general economic activity throughout the UK and Germany.

Although it is not possible to reliably estimate the length or severity of the outbreak, at the date of signing, the restrictions on mobility are easing and non-essential shops and retail areas are starting to re-open. However, the Group acknowledges this could change suddenly depending on how the situation evolves and whether there are interruptions to business or supply as detailed above.

The current and future financial position of the Group, its cash flows and liquidity position have been reviewed by the Directors. They have taken a very prudent view on the likely gradual recovery in each of the Group's divisions and have stress tested these assumptions to ensure that cash flows and liquidity are sufficiently robust to allow the Group to continue to trade during this period.

The Group is managing its cash flows prudently through a number of methods, including:

- The Job Retention Scheme ("JRS") in the UK and the German equivalent for staff based there;
- Implementing planned and additional overhead reductions as timeously as possible;
- Accessing a £1.0 million term loan through the CBIL scheme;
- Agreeing the deferral of VAT and PAYE with HMRC;
- Suspension of minimum income guarantees with landlords;
- Cancellation of the proposed final dividend; and
- Halting planned capital expenditure.

As a result of reduced trading following the COVID-19 outbreak the Group's bankers agreed to waive existing lending covenants for quarters 2 and 3. New covenants are currently being negotiated with the bank and while at the date of signing these have still to be finalized, the Group's bankers have expressed their desire to continue to support the business and are working towards agreeing appropriate covenants that will reflect the new trading environment anticipated after COVID-19.

The Directors are confident that the additional funding facilities and support from our bankers will provide sufficient headroom to meet the forecast cash requirements, having considered any additional requirements as a result of trading being lower than the revised forecasts and further mitigation that they could put in place to counter this (specifically in relation to the COVID-19 pandemic). The Group's current and long-term forecast outlook has provided further assurance to the Directors regarding its financial position.

As such, the Directors consider that it is appropriate to prepare the financial statements on the going concern basis.

Accounting developments

New and revised IFRSs applied

Title	Implementation	Effect on Group
IFRS 15 – "Revenue from Contracts with Customers"	Annual periods beginning on or after 1 January 2019	There is no effect on the Group financial statements as a result of the implementation of this standard.
IFRS 16 – "Leases"	Annual periods beginning on or after 1 January 2019	The new standard requires capitalisation of all leasing agreements with durations exceeding 12 months, whereas the previous regulations only required capitalisation of finance leases. The right-of-use asset and liability to be recognised for each leasing agreement is the present value of the lease payments. The Group has adopted IFRS 16 retrospectively from 1 January 2019 using the modified retrospective approach, as permitted under the specific transitional provisions in the standard. As such, the comparative information presented for 2018 has not been restated. This is detailed in note 21.

The following amendments will be introduced in future periods

Title	Implementation	Effect on Group

Amendments to 'References to the Conceptual Framework in IFRS Standards'	Annual periods beginning on or after 1 January 2020	The Board does not anticipate any material impact on the financial statements.
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Annual periods beginning on or after 1 January 2020	The Board does not anticipate any impact on the financial statements.
Definition of a Business (Amendments to IFRS 3)	Annual periods beginning on or after 1 January 2020	The Board does not anticipate any impact on the financial statements.
Definition of Material (Amendments to IAS 1 and IAS 8)	Annual periods beginning on or after 1 January 2020	The Board does not anticipate any impact on the financial statements.

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 currently foresee 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.

<u>Promotion divisions</u>
Revenue in the UK and German promotion divisions is recognised at the point at which bookings, including future dated bookings, are agreed by all parties. This policy is adopted as our contractual right to commission income is crystallised at this point.

<u>Retail divisions</u>
Revenue in the UK and German retail divisions is recognised in the month during which the booking takes place. This is due to the requirement to match the revenue stream with the rental cost incurred with the landlord.

<u>Commission</u>
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

<u>Acting as principal</u>
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.

<u>Leasing income</u>
Revenue from leasing activities is recognised on a straight-line basis over the term of the lease.

<u>Licence fees</u>
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

IFRS 16 requires capitalisation of all leasing agreements with duration exceeding 12 months, whereas the previous regulations only required capitalisation of finance leases. The right-of-use asset and liability to be recognised for each leasing agreement is the present value of the lease payments.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 using the modified retrospective approach, as permitted under the specific transitional provisions in the standard. As such, the comparative information presented for 2018 has not been restated.

The Group applied the following practical expedients as permitted by the standard on transition:

- non recognition of right of use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of transition
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition the Group recognised lease liabilities in relation to leases classified as operating leases under the principles of IAS 17 Leases. These were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019.

The associated right of use assets were measured at the amount equal to the lease liability, adjusted for any prepaid or accrued lease payments relating to that lease recognised on balance sheet as at 31 December 2018. There were no onerous lease contracts that required an adjustment to the right of use assets at the date of initial application.

At inception, the Group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

The right-of-use asset is initially measured at cost, which comprises the present value of minimum lease payments determined at the inception of the lease. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Group's estimate of the amount expected to be payable under a residual value guarantee; or the Group's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

The Group has made judgements in adopting IFRS 16 such as identifying contracts in scope for IFRS 16, determining the interest rate used for the discounting of future cashflows, and the determining lease terms where the lease has extension or termination options.

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.

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.

Segment revenues and Results for 12 months to 31 December '19	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000
Revenue	**3,519**	**312**	**2,839**	**993**	**-**	**72**	**7,735**
Cost of sales	-	-	(2,160)	(705)	-	-	(2,865)
Administrative expenses	(2,436)	(303)	(272)	(986)	(841)	(117)	(4,955)
Other revenue	-	74	-	101	-	-	175
Segment operating profit/(loss)	**1,083**	**83**	**407**	**(597)**	**(841)**	**(45)**	**90**
Finance income	-	-	-	-	-	4	4
Finance costs	(23)	-	-	-	-	-	(23)
Segment profit/(loss) before taxation	**1,060**	**83**	**407**	**(597)**	**(841)**	**(41)**	**71**

Segment assets and liabilities as at 31 December '19	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Other £'000	Group £'000
Total segment assets	7,225	285	4,714	738	568	13,530
Total segment liabilities	(2,897)	(72)	(764)	(489)	(26)	(4,248)
Total net assets	**4,328**	**213**	**3,950**	**249**	**542**	**9,282**

Segment revenues and results for 12 months to 31 December '18 as restated	Promotion UK £'000	Promotion Germany £'000	Retail UK £'000	Retail Germany £'000	Head Office £'000	Other £'000	Group £'000

Revenue	**3,356**	**369**	**3,062**	**1,236**	**-**	**34**	**8,057**
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)	**503**	**(153)**	**494**	**(256)**	**(830)**	**(55)**	**(297)**
Finance income	-	-	-	-	-	7	7
Finance costs	(7)	-	-	-	-	-	(7)
Segment profit/(loss) before taxation	**496**	**(153)**	**494**	**(256)**	**(830)**	**(48)**	**(297)**

Segment assets and liabilities as at 31 December '18 as restated	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	(1,968)	(495)	(1,051)	(316)	(49)	(3,879)
Total net assets	**4,851**	**(26)**	**3,625**	**283**	**618**	**9,351**

5. Operating profit/(loss)

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

	12 months to December '19 £'000	12 months to December '18 £'000
Motor vehicle leasing *	-	56
Property leases *	-	240
Amortisation of intangible assets	5	11
Depreciation of property, plant and equipment	350	405
Depreciation of right of use assets	201	-
	556	**712**
Auditor's remuneration:		
Fees payable for:		
Audit of Company	23	25
Audit of subsidiary undertakings	17	19
Tax services	13	4
Other services	18	25
	71	**73**
Directors' remuneration	**525**	**532**

* 2019 disclosed in note 21

6. Staff costs

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

	12 months to December '19	12 months to December '18
Executive Directors	3	3
Non-executive Directors	2	3
Administration	27	27
Telesales	33	40
Commercial	8	12

Maintenance	7	7
	80	**92**

	12 months to December '19 £'000	12 months to December '18 £'000
Wages and salaries	2,960	3,212
Social Security costs	361	440
Pensions	75	208
	3,396	**3,860**

Details of Directors' emoluments, including details of share option schemes, are given in the remuneration report on pages 22 to 23. These disclosures form part of the audited financial statements of the Group.

7. Prior period adjustment

A prior period adjustment has been recorded to reflect the impact of revenue under recognised in the previous period as a result of a material error in the application of contract terms in the revenue calculation. The full amount of this revenue has been recovered.

As such an adjustment has been made to include the comparative years revenue, accruals and corporation tax. Revenue was increased by £118k with a corresponding tax effect of £22k giving a net impact of £96k in the prior period. In January 2020, management identified an error in the calculation of revenue receivable in respect of the year to 31 December 2019 and the earlier period. As such a correction has been made to the comparative year revenue, accruals and corporation tax. Revenue has increased by £118k with a corporation tax effect of £22k.

8. Non-recurring costs

During the prior 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.

9. Finance income and costs

	12 months to December '19 £'000	12 months to December '18 £'000
Finance income:		
Interest receivable	**4**	**7**
Finance costs:		
Interest payable	**(23)**	**(7)**

10. Taxation

	12 months to December '19 £'000	12 months to December '18 as restated £'000
Current tax expense:		
Current tax on profits for the year	130	106
Adjustment for under/(over) provision in prior periods	(4)	13
Total current tax	126	119
Foreign tax:		
Current tax on foreign income for the period	46	-
Adjustment for under/(over) provision in prior periods	(47)	175
Total foreign tax	(1)	175
Deferred tax:		
Charge in respect of temporary timing differences	(19)	10
Adjustment for under/(over) provision in prior periods	(85)	-
Total deferred tax	(104)	10

Income tax expense as reported in the Income Statement	**21**	**304**

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 '19 £'000	12 months to December '18 as restated £'000
Profit/(loss) on ordinary activities before tax	71	(297)
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)		
Jan – Dec 2018: 19%	-	(57)
Jan – Dec 2019: 19%	13	-
Tax effect of:		
- Adjustment for (over)/under provision in prior periods	(136)	188
- Disallowable items	5	173
- Tax losses	139	-
Income tax expense as reported in the Income Statement	**21**	**304**

11. Profit for the period

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The Group profit for the period includes a Company profit after tax and before dividends of £159k after the incorporation of all UK head office costs (2018 restated loss: £382k) which is dealt with in the financial statements of the parent Company.

12. Dividends

	12 months to December '19 £'000	12 months to December '18 £'000
Paid during the period	98	293
Recommended final dividend	-	98

Equity – The Directors do not recommend a final dividend for 2019 (2018: 0.50p).

13. Goodwill

Cost	£'000
At 31 December 2017	8,225
Additions	-
At 31 December 2018	8,225
Additions	-
At 31 December 2019	**8,225**
Accumulated impairment losses	
At 31 December 2017	-
Charge for the period	244
At 31 December 2018	244
Charge for the period	-
At 31 December 2019	**244**
Net book value	
At 31 December 2017	8,225
At 31 December 2018	7,981
At 31 December 2019	**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 7.38%. 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, offset by the short and medium term issues caused by COVID-19. 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 7.0%, for each further movement of 1% an impairment loss of £0.5 million would have to be recognised and written off against goodwill.

If the annual growth rate beyond 2021, used in the cash flow projection, is decreased below 3.5%, for each further movement of 1% an impairment loss of £0.2 million would have to be recognised and written off against goodwill.

14. Other intangible assets

Cost	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 December 2017	284	137	115	536
Additions	-	-	-	-
At 31 December 2018	284	137	115	536
Additions	-	-	1	1
At 31 December 2019	**284**	**137**	**116**	**537**

Amortisation	Website Development £'000	Product development £'000	Patents & Trademarks £'000	Total £'000
At 31 December 2017	284	137	100	521
Charge for the period	-	-	11	11
At 31 December 2018	284	137	111	532
Charge for the period	-	-	5	5
At 31 December 2019	**284**	**137**	**116**	**537**

Net book value	Website development £'000	Product Development £'000	Patents & Trademarks £'000	Total £'000
At 31 December 2017	-	-	15	15
At 31 December 2018	-	-	4	4
At 31 December 2019	**-**	**-**	**-**	**-**

15. Property, plant and equipment

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

Cost	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Right of use assets property £'000	Right of use assets plant & equipment £'000	Total £'000

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
Additions on application of IFRS 16	-	-	-	243	85	328
Additions	-	4	43	177	52	276
Forex	(8)	-	-	-	-	(8)
At 31 December 2019	**3,046**	**290**	**809**	**420**	**137**	**4,702**

Depreciation	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Right of use assets property £'000	Right of use assets plant & equipment £'000	Total £'000
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
Charge for the period	243	12	95	156	45	551
At 31 December 2019	**2,596**	**275**	**736**	**156**	**45**	**3,808**

Net book value	Plant & equipment £'000	Fixture & fittings £'000	Computer equipment £'000	Right of use assets property £'000	Right of use assets plant & equipment £'000	Total £'000
At 31 December 2017	987	24	136	-	-	1,147
At 31 December 2018	701	23	125	-	-	849
At 31 December 2019	**450**	**15**	**73**	**264**	**92**	**894**

The right of use lease liabilities are secured against the right of use assets.

16. Deferred tax

	31 December '19 £'000	31 December '18 £'000
Deferred tax liability:		
Deferred tax liability to be recognised after more than 12 months	44	101
Deferred tax assets:		
Deferred tax asset to be recognised after less than 12 months	(47)	-
Deferred tax (asset)/liability	**(3)**	**101**

At 1 January 2019	101	91
Debit / (Credit) in respect of losses	-	-
Adjustment in respect of previous year	(85)	-
Charge in respect of temporary timing differences on property, plant and equipment	(19)	10
At 31 December 2019	**(3)**	**101**

17. Trade and other receivables

	31 December '19 £'000	31 December '18 £'000
Trade debtors	2,840	2,700
Other debtors	339	476
Prepayments	249	377
Total	**3,428**	**3,553**

Amounts falling due after more than one year included above are:	417	412

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 2019, trade receivables of £1.2 million (2018: £0.9 million) 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 '19	1,640	487	227	486	**2,840**
31 December '18	1,754	359	177	410	**2,700**

18. Cash and cash equivalents

	31 December '19 £'000	31 December '18 £'000
Cash at bank and on hand	1,227	843
	1,227	**843**

19. Trade and other payables

	31 December '19 £'000	31 December '18 as restated £'000
Trade creditors	419	442
Other creditors	1,391	1,285
Lease liabilities	206	-
Social Security and other taxes	301	240
Accrued expenses	657	1,225
Deferred income	285	367
Trade and other payables	**3,259**	**3,559**
Corporation tax	82	219
Total	**3,341**	**3,778**

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.

20. Other borrowings

	31 December '19 £'000	31 December '18 £'000
Bank loan:		
Greater than one year	750	-
	750	**-**

As at 31 December 2019, SpaceandPeople plc had drawn down £0.75 million (2018: £nil) of its agreed bank revolving credit facility of £1.0 million which expires in October 2021. In addition, SpaceandPeople plc has a £0.25 million overdraft facility of which £nil was used as at 31 December 2019 (2018: £nil).

21. Right of use assets and liabilities

Impact of adopting IFRS 16

In calculating the lease liability to be recognised on transition, the Group used a weighted average borrowing rate of 7.38% at 1 January 2019. Below is a reconciliation of the Group's operating lease commitment at 31 December 2018 to the lease liability recognised on adoption of IFRS 16 on 1 January 2019:

Lease liabilities recognised (£'000)

Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	383
Discounted using the incremental borrowing rate at 1 January 2019	(55)
Lease liability recognised at 1 January 2019	328
Of which are:	
Current lease liabilities	198
Non-current lease liabilities	130

The change in accounting policy increased Right of Use assets by £0.3m and increased lease liabilities by £0.3m at 1 January 2019.

2019 – Right of use assets & lease liabilities

	Net book value of assets £'000	Lease liability £'000
Motor vehicles	93	97
Buildings	263	269
	356	**366**

Amounts recognised in the consolidated statement of profit or loss

	Depreciation charges £'000	Interest expense £'000
Motor vehicles	45	7
Buildings	156	3
	201	**10**

Total operating lease payments due until the end of the lease, or the first break clause, total £366k (2018: £383k).

An analysis of these payments due is as follows:

	2019 £'000	2018 £'000
Total lease payments falling due:		
Within one year	206	256
Within two to five years	160	127
	366	**383**

Below is a reconciliation of changes in liabilities arising from financing activities:

	1 January 2019 £'000	Cash flows £'000	New Leases £'000	Other £'000	31 December 2019 £'000
Current lease liabilities	198	(224)	69	163	206
Non-current lease liabilities	130	-	160	(130)	160
Total liabilities from financing activities	**328**	**(224)**	**229**	**33**	**366**

The "Other" column includes the effect of reclassification of non-current leases to current due to the passage of time, the effect of the disposal of lease assets with their related creditors and the effect of the unwinding of the discounted ROU creditors over time.

22. Financial instruments and risk management

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

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

Liquidity risk – The Group usually operates a cash-generative business and has significant cash headroom. The Directors consider the funding structure to be adequate for the Group's current funding requirements and this is expected to strengthen during future years.

Borrowing facilities – As at the balance sheet date, the Group has agreed facilities of £1.25 million, of which £0.75 million was utilised at the year end. Since the year end the Group has agreed a further £1.0 million facility through the CBILS. 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 £0.75 million 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.

23. Called up share capital

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

24. 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 on pages 22 to 23.

25. Earnings per share

	12 months to 31 December '19 Pence per share	12 months to 31 December '18 as restated Pence per share
Basic earnings/(loss) per share		
Before non-recurring costs	0.4p	(1.7)p
After non-recurring costs	0.4p	(3.0)p
Diluted earnings/(loss) per share		
Before non-recurring costs	0.3p	(1.5)p
After non-recurring costs	0.3p	(2.7)p

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 '19 £'000	12 months to 31 December '18 as restated £'000
Profit/(loss) after tax for the period attributable to owners of the Company	68	(578)
Non-recurring items	-	244
Profit/(loss) after tax for the period before non-recurring costs attributable to owners of the company	68	(334)

	12 months to 31 December '19 '000	12 months to 31 December '18 '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 '19 £'000	12 months to 31 December '18 £'000
Profit/(loss) after tax for the period attributable to owners of the Company	68	(578)
Non-recurring items	-	244
Profit/(loss) after tax for the period before non-recurring costs attributable to owners of the company	68	(334)

	12 months to 31 December '19 '000	12 months to 31 December '18 '000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	20,991	21,548

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 '19 '000	12 months to 31 December '18 '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	1,471	2,028
Weighted average number of ordinary shares used in the calculation of diluted earnings per Share	20,991	21,548

As set out in notes 26 and 27, there are share options and a SAYE scheme outstanding as at 31 December 2019 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.

26. 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 1,815,325 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	415,325	12 January 2018 – 12 January 2025	47.4p
27 March 2017	300,000	29 March 2020 – 27 March 2027	22.0p
1 July 2019	1,000,000	1 July 2022 – 1 July 2029	12.0p
1 October 2019	100,000	1 October 2022 – 1 October 2029	13.5p

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

	12 months to 31 December '19	12 months to 31 December '18
Number of options outstanding as at the beginning of the period	769,325	1,885,522
Granted	1,100,000	-
Lapsed	-	(1,016,197)
Forfeited	(54,000)	(100,000)
Number of options outstanding as at the end of the period	1,815,325	769,325

In total, 1,815,325 options were outstanding at 31 December 2019 (769,325 at 31 December 2018) with a weighted average exercise price of 21.8p (35.8p at 31 December 2018).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payments, was £nil (2018: £nil).

27. 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 59,072 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	59,072	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 '19	12 months to 31 December '18
Number of options outstanding as at the beginning of the period	376,604	675,200
Granted	-	-
Lapsed	-	(21,677)
Forfeited	(317,532)	(276,919)
Number of options outstanding as at the end of the period	59,072	376,604

In total, 59,072 options were outstanding at 31 December 2019 (376,604 at 31 December 2018) with an average exercise price of 19.5p (19.5p at 31 December 2018).

The total share-based payment charge for the year, calculated in accordance with IFRS2 on share-based payments, was £nil (2018: £nil).

28. Events after the balance sheet date

As at the time of issuing this report, the COVID-19 pandemic has had a significant effect on the Group which is explained in the Chief Executive Officer's Review on pages 7 to 10 and in the accounting policies. The Group does not consider this to be an adjusting event as the COVID-19 pandemic occurred after the year end and consequently there is no impact on the Group's 2019 results. At this time, the directors do not consider it possible to quantify any impact on the carrying value of assets or liabilities that would result in a non-adjusting post balance sheet event.

The effects of lockdown, social distancing and travel restrictions are having a material impact on the Group's ability to generate revenue during 2020. The Group has implemented business continuity plans with staff, lenders and clients and has sufficient resources to allow it to continue to trade effectively during this period. As part of these plans the business accessed a £1m five-year loan through the Coronavirus Business Interruption Loan Scheme.

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