Report of the Directors and

Financial Statements for year ended

31 December 2019

SpaceandPeople plc

SpaceandPeople plc

Highlights

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

SpaceandPeople plc

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SpaceandPeople plc

Chairman's Statement

For the 12 months ended 31 December 2019

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

SpaceandPeople plc

Strategic Report

For the 12 months ended 31 December 2019

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 and retail park 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 on pages 29 to 32.

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 on page 3 and pages 7 to 12.

Principal Risks and Uncertainties

The principal risks identified in the business are:

COVID-19 – COVID-19 has created substantial risks to the Group. These are covered in detail within the Chief Executive Officer's Review on pages 7 to 10.

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 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 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 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. Further hardware and systems upgrades were completed during 2019 and a strengthened disaster recovery process was established in early 2019 and reviewed again in early 2020.

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/or 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 healthy environment. The UK business is ISO 45001 certified which proactively improves 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 it.

Banking covenants – The Group has a number of banking covenants in relation to its borrowing facilities. 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. As at the date of this report, all of the Group's banking covenants have been suspended by the lender until the end of September 2020 as a result of the COVID-19 pandemic. The Group and their lender intend to put new covenants in place with effect from October 2020 which reflect the revised financial position and forecasts of the Group at that time.

Brexit – Given the continued uncertainty surrounding the UK's departure from the EU, the Group has reviewed its potential exposure to the most likely exit scenarios, including a "hard" exit at the end of 2020. 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 continue to react to any situation at the earliest opportunity.

Key Performance Indicators

The key performance indicators are:

	2019	2018 as restated
Gross revenue (£ million)	17.3	18.8
Net revenue (£ million)	7.7	8.1
Operating profit / (loss) before non-recurring costs (£ million)	0.1	(0.05)
Basic earnings/(loss) per share before non-recurring costs (p)	0.4	(1.7)
Proposed dividend (p)	-	0.5
Average number of Retail Merchandising Units (RMUs)	103	158
Average number of Mobile Promotions Kiosks (MPKs)	54	60

By order of the Board

Gregor Dunlay
Company Secretary
26 June 2020

SpaceandPeople plc

Chief Executive Officer's Review

For the 12 months ended 31 December 2019

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

For the 12 months ended 31 December 2019

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

Report of the Directors

For the 12 months ended 31 December 2019

The Directors present their annual report and audited financial statements of SpaceandPeople plc for the year ended 31 December 2019.

Key Performance Indicators

The main financial key performance indicators are profit before taxation and non-recurring costs attributable to owners of the Company and basic EPS. During the year, the profit before taxation and non-recurring costs attributable to owners of the Company was £0.1 million (2018 as restated: loss of £0.1 million) and basic EPS before non-recurring costs was 0.4p (2018: negative 1.7p).

The Group maintains records of every booking ever undertaken and continually monitors several key areas:

- revenue against target and prior period;
- profitability against target and prior period;
- venue acquisition, performance and attrition;
- promoter and operator types compared with historic bookings; and
- commission and occupancy rates.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Group are explained in the Strategic Report on pages 4 to 6.

Dividends

A dividend of 0.5p per share was paid during 2019 (2018: 1.5p). The Directors are not proposing a final dividend in relation to the 2019 results due to the subsequent COVID-19 pandemic and the consequential need to preserve cash.

The Directors and Their Interests

The Directors who served during the period under review were:

W G Watt	Non-Executive Chairman
M J Bending	Chief Executive Officer
N J Cullen	Chief Operating Officer
A J Keiller	Client Services Director – appointed 18 March 2020
G R Dunlay	Chief Financial Officer
S R Curtis	Non-Executive Director
G J Bird	Non-Executive Director – appointed 6 January 2020

Directors' interests in the ordinary shares of the Group and in share options are disclosed in the Remuneration Report on pages 22 to 23.

Substantial Shareholdings

At the date of this report, the following substantial shareholdings representing more than 3% of the Group's issued share capital, other than those held by the Directors, have been notified to the Group:

Ordinary 1p Shares	Number	%
Gresham House Strategic plc	3,162,500	16.20
A V Stirling	1,632,684	8.36
R Mitchell	1,090,235	5.58
G Oury	840,000	4.30
D Newton	820,000	4.20
R & V Millington	655,000	3.36

Statement of Directors' Responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• make judgements and accounting estimates that are reasonable and prudent;
• state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement as to Disclosure of Information to Auditors

At the date of this report, as far as each of the Directors is aware:

- there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditors are unaware; and
- each Director has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

Going Concern

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.

Charitable Donations

There were no donations to political parties or charitable organisations during the period (2018: £nil).

Financial Risk Review

Detailed financial risk management objectives and policies are disclosed in note 22 in the accounts.

Employment Policies

The Group is committed to complying with applicable employment laws in each country in which it operates and to fair employment practices, including prohibiting all forms of discrimination as well as granting equal access and fair treatment to all employees on the basis of merit. Wherever possible we provide the same opportunities for disabled people as for others and if employees become disabled, we would make every effort to keep them in our employment, with appropriate training where required.

Health and Safety Policies

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group has a Health and Safety policy which is enforced rigorously.

Auditor

Campbell Dallas Audit Services expressed their willingness to continue in office as auditors of the Group and their re-appointment was approved at the Annual General Meeting held on 24 June 2020.

On behalf of the Board

Gregor Dunlay
Chief Financial Officer
26 June 2020

SpaceandPeople plc

Corporate Governance Report

For the 12 months ended 31 December 2019

Introduction

SpaceandPeople plc is listed on the AIM Market of the London Stock Exchange and has adopted the principals of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), establishing governance procedures and policies that are considered appropriate to the nature and size of the Group. 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 maintaining high standards of corporate governance and reviews the requirement to comply with the QCA Code on a regular basis.

1. Establish a strategy and business model which promote long-term value for shareholders

The principal objective of the Group is to market and sell promotional and retail space on behalf of our clients throughout the countries in which we operate.

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 and retail park 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.

The Group diversifies its risk by having a number of clients in different territories, none of which on their own would put the viability of the business at risk should they terminate the relationship.

As a result of the COVID-19 pandemic, every venue in each territory in which we operate has been affected simultaneously and this is having a fundamental impact on the Group's ability to trade at present. The risk to the business has been mitigated as much as possible by reducing overheads, using the JRS in the UK and its German equivalent, obtaining additional funding through the CBILS and developing strategies to ensure that we are able to meet the differing needs of our clients as we emerge from lockdown.

2. Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain regular dialogue with both existing and potential shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.

Beyond the Annual General Meeting, the Chief Executive Officer, Chief Financial Officer and, where appropriate, other members of the senior management team meet regularly with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group. The Group's investor relations activities encompass dialogue with both institutional and private investors.

The Company also endeavours to maintain a dialogue and keep shareholders informed through its public announcements and Company website. SpaceandPeople's website provides not only information specifically relevant to investors (such as the Group's annual report and accounts and investor presentations) but also regarding the nature of the business itself with considerable detail regarding the services it provides and the manner in which it carries on it business.

The Annual General Meeting of the Company, normally attended by all Directors, provides the Directors the opportunity to report to shareholders on current and proposed operations and developments, and also enables shareholders to express their views of the Group's business activities. Shareholders are encouraged to attend and are invited to ask questions during the meeting and to meet with the Directors after the formal proceedings have ended.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's employees, clients and suppliers. The Group's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders, making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer-term strategy.

The Group takes due account of any negative impact that its activities may have on the environment and seeks to minimise this wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities and is ISO 9001, 14001 & 45001 certified.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed twice annually.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 4 and 5 of this report.

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. During 2020, the Board has been revising the forecast for 2020 and 2021 on a frequent basis to ensure that the Group reacts quickly to the changing environment caused by COVID-19.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

SpaceandPeople's Board currently comprises 4 Executive Directors and 3 Non-executive Directors, including a Non-executive Chairman who is responsible for leadership by the Board and ensuring all aspects of its role.

All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Group and meets at least eight times a year to set the overall direction and strategy of the Group and to review operational and financial performance. All key operational and investment decisions are subject to Board approval.

A summary of Board and Committee meetings held in the year ended 31 December 2019, and Directors' attendance records, is set out on page 20.

The Board considers itself to be sufficiently independent and adheres to the QCA Code recommendation that a board should have at least two independent Non-executive Directors. All of the Non-executive Directors who currently sit on the Board of the Company are regarded as independent under the QCA Code's guidance for determining such independence.

6. Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The Board considers that all of the Non-executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities, and bring considerable experience in scientific, operational and financial development of biopharmaceutical products and companies.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The Chairman, in conjunction with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. During the year, the Directors received updates from the Company Secretary and various external advisers on a number of corporate governance matters.

Directors' service contracts or appointment letters and the terms of reference of the sub-committees of the Board make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

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 period 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.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. Senior management continually monitor the Group's cultural environment and seeks to address any concerns than may arise, escalating these to Board level, as necessary.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area. The Group has a Health and Safety policy which is enforced rigorously.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-executive Directors are responsible for bringing independent and objective judgment to Board decisions.

There is a clear separation of the roles of Chief Executive Officer and Non-executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters of the Group. The Chief Executive Officer has overall responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Board has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. Mr George Watt chairs the Audit Committee and Mr Steve Curtis chairs the Remuneration Committee. The Group considers that, at this stage of its development and given the current size of its Board, it is not necessary to establish a formal Nominations Committee. Instead, appointments to the Board are made by the Board as a whole. This position, however, is reviewed on a regular basis by the Board.

The Audit Committee normally meets twice a year and at other times if necessary and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board. The Company's external auditors are invited to attend meetings of the Committee on a regular basis.

The Remuneration Committee, which meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors. It also supervises the Company's share incentive schemes and sets performance conditions for share options granted under the schemes.

The Remuneration Report for the year ended 31 December 2019 is set out on pages 22 and 23 of this report.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

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.

The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders.

Each year at the Annual General Meeting, any Director appointed since the previous Annual General Meeting shall retire. This year, Graham Bird and Andrew Keiller are retiring and will offer themselves for re-election under this provision. Additionally, one-third of the remaining 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 Nancy Cullen and Steve Curtis 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
M J Bending – Chief Executive Officer	8	8	-	-	-	-
N J Cullen – Chief Operating Officer	8	8	-	-	-	-
G R Dunlay – Chief Financial Officer	8	8	-	-	-	-
A J Keiller – Client Services Director[1]	3	3	-	-	-	-
G J Bird – Non-executive Director[2]	-	-	-	-	-	-
S R Curtis – Non-Executive Director	8	8	2	2	2	2
W G Watt – Non-Executive Chairman	8	8	2	2	2	2

1. Appointed 18 March 2020
2. Appointed 6 January 2020

Audit Committee

During 2019, the Audit Committee comprised George Watt (Chairman) and Steve Curtis. Since Graham Bird's appointment to the Board on 6 January 2020, he has replaced Steve Curtis on the committee with effect from that date. 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.

SpaceandPeople plc

Remuneration Report

For the 12 months ended 31 December 2019

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 2019 are given in notes 26 and 27 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	2019	2018
	£	£	£	£	£	£
C G Hammond [1]	-	-	-	-	-	20,000
W G Watt	30,000	-	-	-	30,000	25,000
M J Bending	149,243	-	8,516	7,462	165,221	162,314
N J Cullen	143,067	-	2,793	6,888	152,748	152,408
G R Dunlay	141,802	-	2,877	6,888	151,567	149,413
S R Curtis	25,000	-	-	688	25,688	22.500
	489,112	**-**	**14,186**	**21,926**	**525,224**	**531,635**

[1] Resigned as a Director on 29 June 2018

Directors' interests in shares

The interests of the Directors in the shares of the Company at 31 December 2019, together with their interests at 31 December 2018, were as follows:

	Number of ordinary 1p shares	
	31 December 2019	**31 December 2018**
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

Directors' interests in share options

The interests of the Directors at 31 December 2019, in options over the ordinary shares of the Company were as follows:

	At 31 December 2018	Granted	Exercised	Surrendered	Lapsed	At 31 December 2019	Exercise Price	Date of Grant	Date from which exercisable	Expiry date
Matthew Bending	100,000	-	-	-	-	100,000	47.4p	12/01/15	12/01/18	12/01/25
	75,000	-	-	-	-	75,000	22.0p	28/03/17	28/03/20	28/03/27
	-	300,000	-	-	-	300,000	12.0p	01/07/19	01/07/22	01/07/29
Nancy Cullen	100,000	-	-	-	-	100,000	47.4p	12/01/15	12/01/18	12/01/25
	75,000	-	-	-	-	75,000	22.0p	28/03/17	28/03/20	28/03/27
	-	300,000	-	-	-	300,000	12.0p	01/07/19	01/07/22	01/07/29
Gregor Dunlay	100,000	-	-	-	-	100,000	47.4p	12/01/15	12/01/18	12/01/25
	75,000	-	-	-	-	75,000	22.0p	28/03/17	28/03/20	28/03/27
	-	300,000	-	-	-	300,000	12.0p	01/07/19	01/07/22	01/07/29
Total	**525,000**	**900,000**	**-**	**-**	**-**	**1,425,000**				

All of these share options are subject to performance criteria.

Steve Curtis
Chairman of the Remuneration Committee
26 June 2020

Independent Auditor's Report

To the members of SpaceandPeople PLC

Opinion on the financial statements

We have audited the Group and Parent Company financial statements (the financial statements) of SpaceandPeople PLC for the period ended 31 December 2019 which comprise the following:

- Consolidated Statement of Comprehensive Income;
- Consolidated and Parent Company Statement of Financial Position;
- Consolidated and Parent Company Statement of Changes in Equity;
- Consolidated and Parent Company Cash Flow Statement; and
- The related notes.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

For example, it is not possible to reliably estimate the length or severity of the impact of the COVID-19 pandemic and it is therefore difficult to evaluate all of the potential implications on the company's business, customers, suppliers and the wider economy.

Key audit matters

Key audit matters are those which were of most significance during the audit of the financial statements for the current period. These matters were addressed during our audit of the financial statements in their entirety and when forming our audit opinion. We do not provide a separate opinion on these matters. For each matter, we have outlined a summary of our response as auditors.

Key audit matter	Description of key audit matter
Goodwill valuation	Goodwill is subject to an annual impairment review. The valuation is dependent on the performance of the underlying entities.

Summary of auditor's response to key audit matter

In order to gain assurance over the valuation of goodwill we:

- Examined management's impairment reviews in relation to the carrying value of goodwill to ensure all assumptions and parameters are appropriate to the business and the review had been conducted in accordance with IAS 36.
- Compared the value of discounted future cash flows to carrying value of Goodwill in order to quantify any impairment.
- Tested the valuation model to assess the impact of changes in the assumptions used.
- Checked the impairment model for arithmetic accuracy.

Our procedures did not reveal any material issues.

Key audit matter	Description of key audit matter
Revenue recognition	The UK promotion segment of the group act as an agent for, and invoices on behalf of, customers. There is the risk that third party revenues are included in turnover. The retail segment of the Group invoices rentals in advance. As such there is a risk that deferred income has not been appropriately calculated.

Summary of auditor's response to key audit matter

We performed the following procedures in order to gain assurance over revenue recognition:

- In relation to the promotion segment of the Group we reviewed the systems and controls in place and completed substantive testing to ensure that income represents only commissions due to the company.
- We carried out substantive testing on the promotion segment of the Group to provide assurance that sums invoiced on behalf of, and that are owed to customers, are correctly recorded and disclosed in the financial statements.
- We reviewed the procedures in the retail segment for identifying revenue invoiced in advance and performed substantive testing on the deferred income balance at the balance sheet date.

Our procedures did not identify any material issues.

Key audit matter	Description of key audit matter
Going Concern	During the course of the latter stages of finalisation of the financial statements, the potential impact of Coronavirus became significant. As a result, management (including the Board) invested a significant amount of time to fully consider the implications on the group and its component companies. Management considered implications for the Group's going concern assessment, potential impairment of certain assets and appropriate disclosure in the Annual Report and accounts, through detailed consideration of its funding requirements based on stress tested future cash flow model**.**

Summary of auditor's response to key audit matter

We performed the following procedures in order to gain assurance over the appropriateness of the going concern assumption and related disclosures:

- We reviewed management's stress test scenarios including levers available to management to mitigate the impacts. We also obtained an understanding of the financing facilities, including the nature of facilities, repayment terms and covenants. We then assessed the facility headroom calculations on both a base case scenario, and management's downside scenarios as a result of the ongoing COVID-19 pandemic.
- We challenged management on the key assumptions included in the scenarios and confirmed management's mitigating actions are within their control. We reviewed management's disclosures in relation to the Coronavirus potential impact and found them to be consistent with information and assumptions used in the cash flow forecasts.

Our conclusions are set out in the conclusions relating to going concern section of our report .

Our application of materiality and an overview of the scope of our audit

Based on our professional judgement, we determined materiality for the Group financial statements as a whole at £100,000. Parent Company materiality was assessed at £75,000.

This was determined through reference to benchmarks of Group and Company revenue and net assets. We reported any corrected or uncorrected misstatements greater than £5,000 to the audit committee as well as those which warranted reporting on qualitative grounds.

Our audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risk of material misstatement at a group level.

In establishing the overall approach to our audit, we assessed the risk of material misstatement, considering the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

The Group operates significant components in the UK and Germany. The UK entities were subject to audit on an individual basis as well as on a group basis. The German entities were considered on a group basis. These significant components subject to audit account for 99.1% of the Group's Revenue, 98% of the Group's administrative expenses, 96% of the Group's Total Assets and 94% of the Group's Equity.

The Indian subsidiary was considered to be a non-significant component and analytical procedures were performed on this component at group level. Additional audit procedures are carried out on balances or classes of transactions if considered necessary.

No component auditors were instructed with all audit work carried out by the Group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We confirm that we have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Campbell Dallas Audit Services

Greig McKnight

For and on behalf of Campbell Dallas Audit Services

Titanium 1

King's Inch Place

Renfrewshire

PA4 8WF

SpaceandPeople plc

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

SpaceandPeople plc

Consolidated Statement of Financial Position

At 31 December 2019

Company number SC212277

	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:

Matthew Bending

M J Bending – Director

SpaceandPeople plc

Consolidated Statement of Cash Flows

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
Cash flows from operating activities			
Cash generated from operations		252	(1,367)
Interest received	9	4	7
Interest paid	9	(23)	(7)
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)**

SpaceandPeople plc

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.

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.

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

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.

SpaceandPeople plc

Company Statement of Financial Position

At 31 December 2019

Company number SC212277

	Notes	31 December '19 £'000	31 December '18 as restated £'000
Assets			
Non-current assets:			
Investment in subsidiaries	5	5,108	5,139
Loan notes	5	1,728	1,728
Other intangible assets	6	-	4
Property, plant & equipment	7	518	529
		7,354	**7,400**
Current assets:			
Trade & other receivables	9	3,276	2,499
Cash & cash equivalents	10	519	401
		3,795	**2,900**
Total assets		**11,149**	**10,300**
Liabilities			
Current liabilities:			
Trade & other payables	11	4,474	4,526
Current tax payable	11	71	(15)
		4,545	**4,511**
Non-current liabilities:			
Long-term loan	12	750	-
Lease liabilities		19	-
Deferred tax	8	44	59
Total liabilities		**5,358**	**4,570**
Net assets		**5,791**	**5,730**
Equity			
Share capital	14	195	195
Share premium		4,868	4,868
Special reserve		233	233
Retained earnings		495	434
Shareholders' equity		**5,791**	**5,730**

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

SpaceandPeople plc

Company Statement of Cash Flows

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
Cash flows from operating activities			
Cash generated from operations		(357)	(125)
Interest paid		(23)	(7)
Taxation		38	(95)
Net cash outflow from operating Activities		**(342)**	**(227)**
Cash flows from investing activities			
Purchase of intangible assets	6	(1)	-
Purchase of property, plant & equipment	7	(28)	(96)
Net cash outflow from investing Activities		**(29)**	**(96)**
Cash flows from financing activities			
Bank loan (repaid) / drawn down in year	12	750	-
Payment of lease finance obligations		(163)	-
Dividends paid		(98)	(293)
Net cash inflow/(outflow) from financing activities		**489**	**(293)**
Increase/(decrease) in cash and cash Equivalents		**118**	**(616)**
Cash and cash equivalents at beginning of Period		401	1,017
Cash and cash equivalents at end of Period	**10**	**519**	**401**

Reconciliation of operating profit to net cash flow from operating activities			
Operating profit/(loss)		215	(337)
Write off of goodwill		31	244
Amortisation of intangible assets	6	5	11
Depreciation of property, plant & equipment	7	342	179
(Increase)/decrease in receivables	9	(777)	7
Decrease in payables	11	(173)	(229)
Cash flow from operating activities		**(357)**	**(125)**

SpaceandPeople plc

Company 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	Total equity £'000
At 31 December 2017	**195**	**4,868**	**233**	**1,109**	**6,405**
Comprehensive income:					
Loss for the period as restated *	-	-	-	(382)	(382)
Total comprehensive income	**-**	**-**	**-**	**(382)**	**(382)**
Transactions with owners:					
Dividends paid				(293)	(293)
Total transactions with Owners	**-**	**-**	**-**	**(293)**	**(293)**
At 31 December 2018 as restated *	**195**	**4,868**	**233**	**434**	**5,730**
At 31 December 2018 as originally stated	**195**	**4,868**	**233**	**338**	**5,634**
Prior period adjustment	-	-	-	96	96
Restated total equity as at 31 December 2018	**195**	**4,868**	**233**	**434**	**5,730**
Comprehensive income:					
Profit for the period	-	-	-	159	159
Total comprehensive Income	**-**	**-**	**-**	**159**	**159**
Transactions with owners:					
Dividends paid	-	-	-	(98)	(98)
Total transactions with Owners	**-**	**-**	**-**	**(98)**	**(98)**
At 31 December 2019	**195**	**4,868**	**233**	**495**	**5,791**

* See note 7 of the consolidated accounts of the Group regarding the restatement as the result of the prior period adjustment.

1. General information and basis of preparation

SpaceandPeople plc is a company incorporated in the United Kingdom and is the parent company of the SpaceandPeople Group.

The Company'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 Company's ability to meet its liabilities as they fall due.

The Company 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 Company 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 Company 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 Company, 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 Company's divisions and have stress tested these assumptions to ensure that cash flows and liquidity are sufficiently robust to allow the Company to continue to trade during this period.

The Company 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 Company'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 Company'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 Company'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.

For details of accounting policies used, reference is made to note 2 in the Group Annual Report. Overall the accounting principles in the Group accounts are the accounting principles used in the Company's annual accounts. Any variations in principal are described below.

2. Accounting policies

Investments in subsidiaries

The Company's investments in subsidiary undertakings are included in the 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. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when any specific delivery criteria have been met.

Commission

Revenue from commission is recognised when the following conditions are satisfied:

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

3. 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 £141k 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.

4. 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.

5. Investment in subsidiaries

The Company movement in investment in subsidiaries was:

Cost and net book value	£'000
As at 31 December 2017	7,155
Impairment	(288)
As at 31 December 2018	6,867
Impairment	(31)
As at 31 December 2019	**6,836**

Included in the cost of investments is £1.728m worth of loan notes taken on as part of the acquisition of Retail Profile Holdings Limited in 2010.

In the opinion of the Directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which it is stated in the Company statement of financial position.

Fixed asset investments of the Company (or subsidiary undertaking where indicated *) include the following:

Name of subsidiary	Principal activity	Place of incorporation and Operation	Proportion of ownership interest and voting power held by the Company	
			31 December '19	31 December '18
MacPherson & Valentine Limited	Licensing of intellectual property	United Kingdom	100%	100%
SpaceandPeople GmbH	Media	Germany	100%	100%
Retail Profile Holdings Limited	Holding Company	United Kingdom	100%	100%
* POP Retail Limited	Leasing of RMUs	United Kingdom	100%	100%
* Retail Products Limited	Dormant	United Kingdom	100%	100%
* Retail Profile GmbH	Leasing of RMUs	Germany	100%	100%
* Retail Profile Limited	Dormant	United Kingdom	100%	100%
S&P Consult Limited	Dormant	United Kingdom	100%	100%
SpaceandPeople India Pvt Ltd	Media	India	53.4%	53.4%

6. Other intangible assets

Cost	Website development £'000	Product development £'000	Patents & trademarks £'000	Total £'000
At 31 December 2017	284	137	119	540
Additions	-	-	-	-
At 31 December 2018	284	137	119	540
Additions	-	-	1	1
At 31 December 2019	**284**	**137**	**120**	**541**

Amortisation	Website development £'000	Product development £'000	Patents & Trademarks £'000	Total £'000
At 31 December 2017	284	137	104	525
Charge for the period	-	-	11	11
At 31 December 2018	284	137	115	536
Charge for the period	-	-	5	5
At 31 December 2019	**284**	**137**	**120**	**541**

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

7. Property, plant and equipment

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

Cost	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	870	679	-	-	1,549
Additions	5	91	-	-	96
At 31 December 2018	875	770	-	-	1,645
Additions on application of IFRS 16	-	-	243	44	287
Additions	1	27	-	16	44
At 31 December 2019	**876**	**797**	**243**	**60**	**1,976**

Depreciation	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	409	528	-	-	937
Charge for the period	93	86	-	-	179
At 31 December 2018	502	614	-	-	1,116
Charge for the period	92	83	147	20	342
At 31 December 2019	**594**	**697**	**147**	**20**	**1,458**

Net book value	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	461	151	-	-	612
At 31 December 2018	373	156	-	-	529
At 31 December 2019	**282**	**100**	**96**	**40**	**518**

8. 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	59
Deferred tax liability	**44**	**59**
At 1 January	59	91
Charge in respect of temporary timing differences on property, plant and equipment	(15)	(32)
At 31 December	**44**	**59**

9. Trade and other receivables

	31 December '19 £'000	31 December '18 £'000
Trade debtors	1,458	1,154
Other debtors	419	418
Prepayments	250	256
Amounts due from related parties	1,149	671
Total	**3,276**	**2,499**
Amounts falling due after more than one year included above are:	417	412

The ageing of trade debtors:

	Current £'000	0 – 30 Days £'000	31 – 60 Days £'000	61 Days + £'000	Total £'000
31 December '19	867	256	165	170	**1,458**
31 December '18	667	196	127	164	**1,154**

10. Cash and cash equivalents

	31 December '19 £'000	31 December '18 £'000
Cash at bank and on hand	519	401
	519	**401**

11. Trade and other payables

	31 December '19 £'000	31 December '18 as restated £'000
Trade creditors	23	113
Other creditors	1,164	1,215
Lease liabilities	121	-
Social Security and other taxes	305	263
Accrued expenses	462	352
Amounts due to related parties	2,399	2,583
Trade and other payables	**4,474**	**4,526**
Corporation tax	71	(15)
Total	**4,545**	**4,511**

12. Non-current liabilities

As at 31 December 2019, SpaceandPeople plc had drawn down £0.75 million (2018: £nil) of its agreed bank facility of £1.25 million (2018: £1.25 million), £1.00 million of which expires in November 2021 and the other £0.25 million is repayable on demand.

13. 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 company's operating lease commitment at 31 December 2018 to the lease liability recognised on adoption of IFRS 16 on 1 January 2019:

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

Lease liabilities recognised (£'000)

Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	304
Discounted using the incremental borrowing rate at 1 January 2019	(17)
Lease liability recognised at 1 January 2019	287
Of which are:	
Current lease liabilities	171
Non-current lease liabilities	116

2019 – Right of use assets & lease liabilities

	Net book value of assets £'000	Lease liability £'000
Motor vehicles	40	42
Buildings	96	98
	136	**140**

Amounts recognised in the consolidated statement of profit or loss

	Depreciation charges £'000	Interest expense £'000
Motor vehicles	21	7
Buildings	146	1
	167	**8**

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	121	177
Within two to five years	19	127
	140	**304**

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	171	(178)	5	123	121
Non-current lease liabilities	116		11	(108)	19
Total liabilities from financing activities	**287**	**(178)**	**16**	**15**	**140**

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.

14. 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

15. Share options

Details of the Company's share options are as at notes 26 and 27 to the Group annual report.

16. Related party transactions

During the year, the Company charged its subsidiary companies the following amounts in respects of costs incurred on their behalf: POP Retail Limited £593,646 (2018: £654,021), SpaceandPeople GmbH £44,966 (2018: £24,751), Retail Profile Europe GmbH £nil (2018: £nil)

At 31 December 2019, the Company had the following balance with Group companies:

Amount due from SpaceandPeople GmbH	**£662,400**
Amount due from Retail Profile GmbH	**£486,243**
Amount due to POP Retail Limited	**£(1,816,878)**
Amount due to Retail Profile Holdings Limited	**£(582,217)**

17. 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 Company which is explained in the Chief Executive Officer's Review on pages 7 to 10 and in the accounting policies. The Company 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 Company'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 Company's ability to generate revenue during 2020. The Company 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.

Company Information

For the 12 months ended 31 December 2019

Directors:	W G Watt – Non-Executive Chairman M J Bending – Chief Executive Officer N J Cullen – Chief Operating Officer G R Dunlay – Chief Financial Officer A J Keiller – Client Services Director S R Curtis – Non-Executive Director G J Bird – Non-executive Director
Secretary:	G R Dunlay
Registered office:	2nd Floor 100 West Regent Street Glasgow G2 2QD
Registered number:	SC212277
Nominated advisors and brokers:	Cantor Fitzgerald Europe 5 Churchill Place Canary Wharf London E14 5HU
Registrars:	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Auditors:	Campbell Dallas Audit Services Chartered Accountants & Registered Auditors Titanium 1 King's Inch Place Glasgow PA4 8WF
Bankers:	Santander UK plc 301 St Vincent Street Glasgow G2 5HN
Solicitors:	Sherrards Solicitors LLP 1 – 3 Pemberton Row London EC4A 3BG

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