31 October 2019

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

SmartSpace Software Plc

(“SmartSpace”, the “Group” or the “Company”)

Interim Results for the Six Months Ended 31 July 2019

SmartSpace Software plc, (AIM:SMRT) the leading provider of 'Integrated Space Management Software' for smart buildings, commercial spaces and hospitality announces its unaudited interim results for the six months ended 31 July 2019.

Operational Highlights:

- Enterprise Business
    - Focus on deploying existing Enterprise customers
    - Continued investment in Workplace platform – versions 2.1 released in July 2019
    - Good pipeline of business, predominantly from existing Enterprise customers
- Self-serve business
    - Strong growth in SwipedOn business
    - 23% growth in customers numbers from 2,713 on 1 February to 3,348 at the end of July
    - ARR grown by 36% to NZ$2,570,000 at 31 July 2019 and increased to NZ$3,186,000 at 30 September, a 69% increase since the beginning of the financial year
    - ARPU (Average Revenue Per User per month) grew by 10.4% during the period under review and has since increased further to NZ$75.05 by 30 September 2019
- Withdrew from retail market and ceased signing new customers
- Invested £2.1m in product development over the period (FY19 H1: £0.7m). enhancing the workspace management platform

Financial Highlights:

- A 57% increase in revenue from continuing operations to £3.0 million (FY19 H1: £1.9 million)
- Recurring revenue increase by 332% to £782k (FY19 H1 £181k)
- Adjusted LBITDA* £3.1 million (FY19 H1 LBITDA: £1.9 million)
- Loss before tax from continuing operations of £4.0 million (FY19 H1: loss £2.7 million)
- Basic loss per share from continuing operations of 16.1p (FY19 H1: loss 12.8 pence)
- Net cash position at 31 July 2019 £3.8m (FY19 H1: £13.4 million)

* Results for the period from continuing operations before net finance costs, depreciation, amortisation, integration and transactional items, impairment charges and share based payment charge.

Post Period End Highlights:

The Company has also announced today that it has agreed to acquire 100% of the share capital of Space Connect Pty Limited, a company registered in Australia, for a total consideration of approximately £3.2 million (A$ 6.0 million), satisfied by approximately £1.6 million in cash (A$ 3.0 million) and approximately £1.6 million (A$3.0 million) in equity. The acquisition brings the following benefits to SmartSpace:

- Cloud based software, fast to deploy platform
- Room booking, desk management, visitor management, catering and workspace analytics
- Software integrations with Microsoft Exchange, Google, Skype, Uber, Zoom
- Anticipated saving of up to £1.2m per annum in Group product development spend from 2020 onwards and accelerating development roadmap by up to two years
- Provides solution for immediate roll out in the UK and acceleration of current mid-market strategy
- Opens international channel sales opportunities
- Brings new technological capabilities into the Group including AI, Facial Recognition, Advanced Analytics and End-user configuration tools
- Space Connect product ownership, design, support and sales to be handled from the UK through existing resources

Frank Beechinor, CEO of SmartSpace, commented:

"The Group is continuing its transformation to a pure play software company. We have made great progress in the self-serve market with significant growth in customer numbers and ARPU and our SwipedOn business continues to go from strength to strength. Our sales and deployment efforts currently are focussed on Enterprise customers. We are in the process of deploying our technology for a number of new customers including our single largest customer, a global bank with 86,000 employees. The business continues to have a strong sales pipeline which consists mainly of follow-on business from existing customers. Through the Space Connect acquisition we are hoping to accelerate growth and our ability to cross-sell in our mid-market business which will be sold a purely on a SaaS basis."

A copy of these interim results together with further information on the Company is available on the Company's website at: www.smartspaceplc.com.

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Chief Executive's Statement

I am pleased to announce the unaudited interim results for the six months ended 31 July 2019.

Following the disposal of the Systems Integration and Managed Services divisions ("the disposal") which completed in June 2018 the Group has made significant progress on its journey to becoming a leading software provider of integrated space management software.

Since the disposal we have made a significant investment in developing our suite of workplace space management software products. Our modules include desk, meeting room and visitor management, wayfinding and event management all of which enables employee engagement and optimisation of real estate. Whilst our primary focus going forward will be our workplace business, which we consider to be our main revenue driver, we will continue to offer software solutions in the hospitality sector which still provides significant growth opportunities.

As we announced towards the end of the last financial year, the Group has signed two significant enterprise customers, one in the financial sector and one in the hospitality sector. The focus this year has been to complete these deployments whilst continuing to invest in our core product. Both of these enterprise deals delivered significant licence fees in FY19 but have yet to enhance SaaS revenue for the current financial year and beyond.

Whilst the Group continues to target enterprise sales, these deals are characterised by a long sales cycle with complex deployments. In addition, we have found that enterprise deals can very often lean towards a software licence model rather than SaaS. Furthermore, enterprise sales require significant investment to convert the opportunities and are subject material uncertainty on conversion which can have a significant impact on the Group's revenues, earnings and outlook. The Board believe that the key to our success lies in reducing our dependency on 'lumpy' enterprise deals and focus on diversification into the self-serve and mid-range markets which can deliver fast growing pure SaaS revenues at higher margins, which will smooth the Group's revenue profile and provide greater visibility of forward revenues.

As a result, we remain focussed on growing the self-serve end of the market. SwipedOn goes from strength to strength improving on all the key metrics for a SaaS business. Customer acquisition remains a key strategic aim and we have seen a 23% increase in the number of customers this year from 2,713 at 31 January 2019 to 3,348 at the period end. In total there has been a 47% increase in customer numbers since October 2018 when we acquired the business. Our strategy has been to increase the average revenue per user ("ARPU") through a new pricing model and the introduction of new modules, and as a result ARPU has grown by 10.4% from NZ$57.60 at the last period end to NZ$63.53 at 31 July 2019. It has subsequently increased to NZ$75.05 at the end of September 2019 following the release of the first add-on module moving the remaining customers onto the new price plan. The combination of increased customer numbers and an improved ARPU means that Annual Recurring Revenue ("ARR") stood at NZ$2,570,000 at 31 July 2019, up 36% on opening ARR. Continued momentum post period end means ARR stands at NZ$3,186,000 at the end of September 2019, representing a 69% increase since the start of the current financial period.

Average annual churn in the self-service end of the market remains very low at 5.35% for revenue and 7.5% for users. As a result, the Life-Time Value ("LTV") to Customer Acquisition Cost ("CAC") is an average of 7.8 for the first six months of the year.

As mentioned above, a key pillar of our strategy is to increase ARPU by offering a number of additional modules sold to customers via the new SwipedOn 'Add-Ons Marketplace' for each of which customers will pay an incremental SaaS fee. The first of these modules, *Deliveries,* has recently been released and allows customers to manage couriers, parcels and deliveries at reception, streamlining the delivery process. SwipedOn expects to add further modules in the second half of 2019 which will provide customers with additional SMS capability and catering functionality.

Whilst SwipedOn currently has paying users in over 40 countries, the system had only been offered in the English-language version. As part of the Group's initiative to broaden the addressable market for SwipedOn and grow the customer base the Company launched a Dutch-language version in the Netherlands in late July 2019, the first time SwipedOn has released a non-English language version of its visitor management solution. To support the launch there is now a localised website (https://www.swipedon.com/nl/), a Dutch-language version of SwipedOn visitor management system and a range of localised marketing collateral. We now have 42 customers in the Netherlands. Work is underway to release SwipedOn in other non-English markets.

Acquisition

Following the disposal of the Systems Integration and Managed Services divisions in June 2018, the Board highlighted its acquisition strategy going forward with a focus on three key criteria: businesses that could increase sales and/or geographical reach; technology that diversifies the Group's current product offering; and entry level product suites in the space management sector.

The Group has today announced the conditional acquisition of Space Connect Pty Limited ("Space Connect") for AUD 6.0 million (£3.2m) with the consideration comprising 50% in cash and 50% in new equity in the Company. The Space Connect product is a cloud-based solution, with a self-configuration tool kit, built on the Microsoft Azure platform. The product suite provides small and mid-market customers with the ability to manage desks, meeting rooms, visitors and deliver occupancy data. Whilst the Space Connect product includes similar functionality to the SmartSpace Workplace enterprise platform, Space Connect has a range of distinctive functionality already available as part of its platform including facial recognition, voice recognition, enhanced analytics and artificial intelligence. In addition, Space Connect has a number of key integrations with Zoom and Polycom, offering video conference and VoIP services respectively.

We believe the AV channel is establishing itself as an important part of the space market and is likely to play a key role, given it has access to businesses with installed meeting room panels and those that require collaboration tools as well as software to manage rooms. In addition, Space Connect integrates with both Outlook and Gmail.

The significant benefit to SmartSpace of Space Connect technology is that it offers 'out of the box' functionality which is quick to deploy and easy to configure and the Acquisition significantly accelerates the addition of this configuration capability within the Group's product development roadmap. The ease of configuration also allows Space Connect to sell through channel partners and they have already opened channel partnerships in Australia, the Far East and, more recently, in the UK.

Because of how they have architected their platform Space Connect have achieved a great deal with very few development resources. Utilising what they have created will mean that SmartSpace too can achieve more with fewer people and will result in a reduction in our planned external contractor development costs going forward.

Currently, the main constraint to accelerating the mid-market customer base is that we have to dedicate development resources to each customer deployment. The fast to deploy/easy configuration tools in Space Connect means we can accelerate customer acquisition in the mid-market. This toolset will also allow us to increase sales through channel partners as they too can easily deploy and configure for customers. Furthermore, we believe we can capitalise on Space Connect's existing relationship with a major supplier of AV equipment for meeting rooms, providing an opportunity to increase our customer base outside the UK, by focussing in new markets such as Australia, Canada and the Far East.

We have achieved considerable success in our SwipedOn business and through this we can see first-hand the benefit of pure SaaS revenue. The ARPU at 30 September 2019 in that business was NZ$75, which we have grown from NZ$52 at the point of acquisition last year. It is our intention to replicate this performance in the mid-market using the Space Connect technology. Our target ARPU for mid-market will range from £500 to £3,000 per month.

We believe that by focusing on pure SaaS revenue we will drive more value for shareholders than we would by adding much larger amounts in licence revenue.

Financial Results

Group revenue from the continuing operations for the period was £2,95m representing an increase of 57% on the prior period revenues of £1.88m.

The breakdown of revenues by type is:

	Six months to 31 July 2019 Unaudited £000	Six months to 31 July 2018 Unaudited £000	Year ended 31 January 2019 Audited £000
Recurring revenue	782	181	444
Non-recurring revenue	299	484	3,098
Software and services	1,081	664	3,542
Hardware	1,873	1,214	2,765
Total revenue	2,954	1,878	6,307

Recurring revenues, which comprise SaaS and software maintenance revenues, have increased by 332% to £782,000 (FY19 H1: £181,000). At 31 July 2019 the annual run rate for recurring revenues had increased to £1.88m from £0.2m at the same time last year and £1.39m at 31 January 2019.

Hardware revenues of £1.87m (FY19 H1: £1.21) comprise revenues from the Hardware and Systems Integration division and some hardware from the software division where that hardware is sold as part of a software sale.

The gross profit was £1.22m (FY19 H1: £0.97m) with a gross margin of 41% (FY19 H1: 52%). The change in margin arises from the increase in hardware revenues and is partly a result of the focus of the Group on the completion of delivery of the large enterprise contracts and not necessarily indicative of future gross margins.

Administrative expenses increased by 42% from £3.5m in FY19 H1 to £5.0m in FY20. The increase comprised £0.9m for SwipedOn (which was acquired in October 2018), £0.6m increase in payroll costs primarily in research and development, £0.2m amortisation of intangible assets less £0.3m integration costs in 2018 and not recurring this year.

The charge in respect of impairment of financial assets of £176k (FY18: nil) relates to the deferred consideration outstanding in respect of the disposal of the Systems Integration and Managed Services divisions. Of the £2 million deferred consideration, the Company had received £1.0m by 31 July 2019 and received a further £0.5m since the period end, leaving £0.5 million outstanding at the date of this report, £324k net of provisions, the Company's best estimate of what remains recoverable.

Group Adjusted EBITDA is a loss of £3.1m (FY19 H1: loss £1.9m) reflecting the increased overheads in the group referred to above.

The prior period EPS benefitted from the profit on sale of subsidiary companies of £1.9 million and the waiver of loans made by the disposed entities to continuing Group companies of a further £1.4 million.

Accounting Policies – IFRS 16 Leases

During the period, as required by the International Accounting Standards Board "IASB" the Group has applied IFRS 16 Leases from its mandatory adoption date of 1 January 2019. The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. IFRS 16 requires a lessee to recognise assets and liabilities for all lease terms of more than 12 months, unless the underlying asset is of low value. The Group has applied the simplified transition approach and has not restated comparative amounts for the year prior to first adoption. As disclosed in the 2019 financial statements, the Group had non-cancellable operating lease commitments of £121,000 at 31 January 2019 of which approximately £118,000 relate to short-term leases and £3,000 to low value assets. Both are being recognised on a straight-line basis as an expense in profit and loss.

Since 1 February 2019 the Group has entered into new leases on its head office in Luton and its office in New Zealand both of which are recognised as liabilities in the balance sheet under the new standard.

Investment in Product Development

Investment in development of the Group's software for the period amounted to £2.1m (FY19 H1: £1.0 million) of which £1.0m (FY19 H1: £0.7m) has been treated as capital expenditure with the balance expensed. The significant increase is required to enhance the workspace management platform and complete our range of product modules. Whilst we believe our technology surpasses that of our competitors and recognise the need to maintain this lead through ongoing product innovation it is also the board's view that the ongoing level of investment will reduce over time.

Cash flow

Cash used in continuing operations amounted to £2.7m (FY19 H1: £2.6m) which included a positive contribution from working capital movements of £0.7m (FY19 H1: £0.4m outflow) following the decrease in trade and other receivables of £1.4m largely due to the receipt of £750,000 relating to the final portion of a OEM software sale in 2018 and decrease in trade payables of £0.9m due to settlement of accrued expenditure for prior year bonuses and restructuring plans. Cash outflow from investing activities during the period totalled £1.1m (FY19 H1: £14.7 million inflow) comprising the investment of £1.0 million in software development (FY19 H1 £0.7m) and capital expenditure of £0.1 million (FY19 H1: £0.2m). The prior period also benefited from the sale of the Systems Integration and Managed Services division.

Cash outflows from financing activities in the period amounted to £57,000 (FY19 H1: £1.8 million) comprising interest and debt repayments. The Company continues to have a mortgage on its freehold property and entered into a number of new leases in connection with the fit-out of new offices, both of which gave rise to continuing outflows from financing activities. The Company's bank borrowings were repaid in FY 2019 following the sale of the Systems Integration and Managed Services divisions, resulting in the much lower outflows in the current period.

The above cash flows resulted in a cash balance at the period end of £4.2 million (FY19 H1: £13.8 million) and a net cash position of £3.8 million (FY19 H1: £13.4 million) excluding lease liabilities under property leases which would previously have been classified at operating leases prior to the introduction of IFRS16 for accounting periods beginning on or after 1 January 2019.

Current Trading and Outlook

Our SwipedOn business continues to grow at an impressive rate with customer numbers now in excess of 3,500 and a double-digit rise in ARPU. If growth continues at the current rate our annual recurring revenue is expected to double in this current financial year. With new modules being launched and an increasing number of foreign language versions of the product, the future looks bright for this business. The enterprise business is less predictable due to the size of opportunities, the long sales and deployment cycle and the nature of the revenues generated. However, we have a strong pipeline of near-term opportunities mainly from existing clients, which we expect to develop into contracts over the coming months, which in turn would enable us to deliver on the market expectations for our revenue growth. The acquisition of Space Connect will allow us to diversify and accelerate the development of our mid-market SaaS business in the medium term and our desire for a channel strategy as well as providing an opportunity for reducing our development costs in 2020 and beyond.

I would like to take this opportunity to thank our team for their continued hard work. The quality and commitment of our staff is our biggest strength as we move to this next stage of evolution of the business.

Frank Beechinor
Chief Executive

30 October 2019

Consolidated Income Statement
For the six months ended 31 July 2019

	Note	Six months to 31 July 2019 Unaudited £000	Six months to 31 July 2018 Unaudited £000	Year ended 31 January 2019 Audited £000
Continuing operations				
Revenue from contracts with customers	4	2,954	1,878	6,307
Costs of sale of goods		(1,519)	(852)	(1,848)
Cost of providing services		(217)	(55)	(710)
Gross profit		**1,218**	**971**	**3,749**
Administrative expenses		(5,026)	(3,543)	(7,901)
Net impairment losses on financial and contract assets		(176)	-	(30)
Other income		24	-	39
Operating loss		**(3,960)**	**(2,572)**	**(4,143)**
Adjusted LBITDA *		**(3,109)**	**(1,871)**	**(2,666)**
Reorganisation and transactional items included within administrative expenses		-	(287)	(445)
Depreciation		(75)	(48)	(93)
Amortisation		(573)	(325)	(680)
Impairment of intangible assets		-	-	(297)
Impairment of financial asset		(176)	-	-
Share based payments charge		(27)	(41)	38
Operating loss		**(3,960)**	**(2,572)**	**(4,143)**
Finance income		30	1	51
Finance costs		(27)	(101)	(121)
Loss before tax		**(3,957)**	**(2,672)**	**(4,213)**
Taxation		382	14	1,730
Loss for the period after tax		**(3,575)**	**(2,658)**	**(2,483)**
Profit for the period from discontinued operations		-	2,371	1,884
Loss for the period		**(3,575)**	**(287)**	**(599)**
Other comprehensive income				
Exchange differences on translation of foreign operations		100	-	406
Total comprehensive loss		**(3,475)**	**(287)**	**(193)**
Basic (loss) / earnings per share				
Continuing operations		(16.1p)	(12.8p)	(11.7p)
Discontinued operations		-	11.4p	8.9p
Total		(16.1p)	(1.4p)	(2.8p)
Diluted (loss) / earnings per share				
Continuing operations		(16.1p)	(12.8p)	(11.7p)
Discontinued operations		-	11.4p	8.9p
Total		(16.1p)	(1.4p)	(2.8p)

* Profit / (loss) for the period from continuing operations before net finance costs, tax, depreciation, amortisation, integration and transactional items, impairment charges and share based payment charge

Consolidated Balance Sheet
As at 31 July 2019

	Note	31 July 2019 Unaudited £000	31 July 2018 Unaudited £000	31 January 2019 Audited £000
ASSETS				
Non-current assets				
Property, plant and equipment		806	764	787
Right-of-use assets	7	1,097	-	-
Intangible assets		11,848	4,925	11,252
Deferred tax assets		1,115	-	733
Contract assets		1,696	-	1,560
Total non-current assets		**16,562**	**5,689**	**14,332**
Current assets				
Inventories		142	69	364
Contract assets		633	752	698
Trade and other receivables		629	1,313	2,023
Other financial assets at amortised cost		1,413	2,000	1,557
Prepayments		276	264	109
Cash and cash equivalents		4,208	13,844	8,053
Total current assets		**7,301**	**18,242**	**12,804**
Total assets		**23,863**	**23,931**	**27,136**
LIABILITIES				
Non-current liabilities				
Borrowings		390	413	402
Lease liabilities	7	949	-	-
Deferred tax liabilities		-	274	-
Long term provisions		-	55	5
Total non-current liabilities		**1,339**	**742**	**407**
Current liabilities				
Trade and other payables		1,582	910	2,541
Contract liabilities		856	207	754
Borrowings		24	24	24
Lease liabilities	7	100	-	-
Total current liabilities		**2,562**	**1,141**	**3,319**
Total liabilities		**3,901**	**1,883**	**3,726**
NET ASSETS		**19,962**	**22,048**	**23,410**
EQUITY AND LIABILITIES				
Capital and reserves attributable to equity shareholders				
Share capital		2,216	2,078	2,216
Share premium		1,058	-	1,058
Reverse acquisition reserve		(4,236)	(4,236)	(4,236)
Translation reserve		506	-	406
Share option reserve		155	366	128
Retained earnings		20,263	23,840	23,838
Total equity		**19,962**	**22,048**	**23,410**

Consolidated Statement of Cash Flows
For the six months ended 31 July 2019

	Note	Six months to 31 July 2019 Unaudited £000	Six months to 31 July 2018 Unaudited £000	Year ended 31 January 2019 Audited £000
Cash from operating activities				
Cash generated from operations	6	(2,658)	(2,449)	(3,469)
Interest received		30	-	51
Interest paid		(27)	(102)	(123)
Net cash outflow from operating activities		**(2,655)**	**(2,551)**	**(3,541)**
Cash flows from investing activities				
Payments for the acquisition of subsidiary		-	-	(3,965)
Payments for property, plant and equipment		(100)	(222)	(245)
Payment of software development costs		(1,041)	(708)	(1,872)
Proceeds from sale of Systems Integration and Managed Services divisions		-	15,671	15,970
Proceeds from sale of property, plant and equipment		-	-	63
Net cash from investing activities		**(1,141)**	**14,741**	**9,951**
Cash flows from financing activities				
Proceeds from borrowing		-	1,500	-
Repayment of borrowings		(12)	(3,289)	(1,800)
Payment of lease liabilities		(45)	-	-
Net cashflow from financing activities		**(57)**	**(1,789)**	**(1,800)**
Net change in cash and cash equivalents		**(3,853)**	**10,401**	**4,610**
Cash and cash equivalents the beginning of the period		8,053	3,443	3,443
Effects of foreign exchange rate changes		8	-	-
Cash and cash equivalents at end of period		**4,208**	**13,844**	**8,053**

Consolidated Statement of Changes in Equity
For the six months ended 31 July 2019

Unaudited	**Share capital £000**	**Share premium £000**	**Share option reserve £000**	**Translation reserve £000**	**Reverse acquisition reserve £000**	**Retained earnings £000**	**Total £000**
At 1 February 2019	2,216	1,058	128	406	(4,236)	23,838	23,410
Loss for the period	-	-	-	-	-	(3,575)	(3,575)
Other comprehensive income for the period	-	-	-	100	-	-	100
Total comprehensive income/(loss) for the period	-	-	-	100	-	(3,575)	(3,475)
Share based payment charge	-	-	27	-	-	-	27
At 31 July 2019	**2,216**	**1,058**	**155**	**506**	**(4,236)**	**20,263**	**19,962**

Unaudited	**Share capital**	**Share premium**	**Share option reserve**	**Translation reserve**	**Reverse acquisition reserve**	**Retained earnings**	**Total**
At 1 February 2018	2,078	-	433	-	(4,236)	24,127	22,402
Loss for the period	-	-	-	-	-	(287)	(287)
Total comprehensive loss for the period	-	-	-	-	-	(287)	(287)
Share based payment charge	-	-	(67)	-	-	-	(67)
At 31 July 2018	**2,078**	**-**	**366**	**-**	**(4,236)**	**23,840**	**22,048**

Audited	**Share capital £000**	**Share premium £000**	**Share option reserve £000**	**Translation reserve £000**	**Reverse acquisition reserve £000**	**Retained earnings £000**	**Total £000**
At 1 February 2018	2,078	-	433	-	(4,236)	24,127	22,402
Loss for the period	-	-	-	-	-	(599)	(599)
Other comprehensive income for the period	-	-	-	406	-	-	406
Total comprehensive income/(loss) for the period	-	-	-	406	-	(599)	(193)
Issue of ordinary shares as consideration for a business combination	138	1,058	-	-	-	-	1,196
Lapsed share options	-	-	(310)	-	-	310	-
Share based payment charge	-	-	5	-	-	-	5
At 31 January 2019	**2,216**	**1,058**	**128**	**406**	**(4,236)**	**23,838**	**23,410**

Notes to the Interim Financial Statements

1. Basis of Preparation

The unaudited interim report for the six months to 31 July 2019 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 January 2019 are extracted from the statutory financial statements which have been reported on by the Company's auditor, KPMG LLP, and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified and did not contain statements under Section 498 to 502 of the Companies Act 2006.

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards and on the historical cost basis, and with the exception of the adoption of IFRS 16 Leases referred to below, using generally recognised accounting principles consistent with those used in the annual report and accounts for the year ended 31 January 2019 and expected to be used for the year ending 31 January 2020.

This interim report for the six months to 31 July 2019, which complies with IAS 34 'Interim Financial Reporting', was approved by the Board on 29 October 2019.

Hard copies of the interim report are available from the Company at its registered office at Building 250 The Village, Butterfield, Luton, England, LU2 8DL. This interim report will also be made available on the Company's website, www.smartspaceplc.com.

2. Significant Accounting Policies

As required by the International Accounting Standards Board "IASB" the Group has adopted IFRS 16 Leases with effect 1 February 2019. All other accounting policies and methods of computation applied are consistent with those of the annual financial statements for the year ended 31 January 2019, as described in those annual financial statements.

With the exception of short-term leases and leases of low value assets IFRS 16 requires lessees to recognise on the balance sheet a right-of-use asset and a lease liability. The Group has opted to apply the transition approach which does not require the restatement of comparative information. As the Group was not party to any leases subject to IFRS 16 at 1 February 2019 no reclassifications or adjustments were required in the opening balance sheet. During the six months ended 31 July 2019 the Group entered into several leases the impact of which is described in note 7.

3. Segmental Analysis

Six months ended 31 July 2019	UK Software Division Unaudited £000	New Zealand Software Division Unaudited £000	UK Hardware and Systems Integration Unaudited £000	Central operating costs Unaudited £000	Total Unaudited £000
Revenue from contracts with customers	775	592	1,587	-	2,954
Costs of sale of goods	(349)	(45)	(1,125)	-	(1,519)
Cost of providing services	(175)	(42)	-	-	(217)
Gross profit	251	505	462	-	1,218
Administrative expenses	(3,116)	(895)	(344)	(671)	(5,026)
Net impairment losses on financial and contract assets	-	-	-	(176)	(176)
Other income	-	24	-	-	24
Operating (loss)/ profit	(2,865)	(366)	118	(847)	(3,960)
Adjusted (LBITDA)/ EBITDA*	**(2,280)**	**(315)**	**146**	**(660)**	**(3,109)**
Depreciation	(44)	(14)	(12)	(5)	(75)
Amortisation	(526)	(37)	(10)	-	(573)
Impairment of financial asset	-	-	-	(176)	(176)
Share based payments charge	(15)	-	(6)	(6)	(27)
Operating (loss)/ profit	**(2,865)**	**(366)**	**118**	**(847)**	**(3,960)**
Finance income	25	1	-	4	30
Finance costs	(19)	(1)	(7)	-	(27)
(Loss)/ profit before tax	(2,859)	(366)	111	(843)	(3,957)

Six months ended 31 July 2018	Software – UK Division Unaudited £000	Software – New Zealand Division Unaudited £000	Hardware and Systems Integration Unaudited £000	Central operating costs Unaudited £000	Total Unaudited £000
Revenue from contracts with customers	589	-	1,289	-	1,878
Costs of sale of goods	(18)	-	(834)	-	(852)
Cost of providing services	(55)	-	-	-	(55)
Gross profit	**516**	**-**	**455**	**-**	**971**
Administrative expenses	(1,879)	-	(465)	(1,199)	(3,543)
Net impairment losses on financial and contract assets	-	-	-	-	-
Other income	-	-	-	-	-
Operating loss	**(1,363)**	**-**	**(10)**	**(1,199)**	**(2,572)**
Adjusted LBITDA*	**(1,021)**	**-**	**22**	**(872)**	**(1,871)**
Reorganisation and transactional items included within administrative expenses	(2)	-	-	(285)	(287)
Depreciation	(20)	-	(22)	(6)	(48)
Amortisation	(315)	-	(10)	-	(325)
Share based payments charge	(5)	-	-	(36)	(41)
Operating loss	**(1,363)**	**-**	**(10)**	**(1,199)**	**(2,572)**
Finance income	-	-	-	1	1
Finance costs	10	-	(8)	(103)	(101)
Loss before tax	(1,353)	-	(18)	(1,301)	(2,672)

Year ended 31 January 2019	Software – UK Division Audited £000	Software – New Zealand Division Audited £000	Hardware and Systems Integration Audited £000	Central operating costs Audited £000	Total Audited £000
Revenue from contracts with customers	3,348	272	2,687	-	6,307
Costs of sale of goods	(23)	(1)	(1,824)	-	(1,848)
Cost of providing services	(687)	(23)	-	-	(710)
Gross profit	**2,638**	**248**	**863**	**-**	**3,749**
Administrative expenses	(4,712)	(573)	(891)	(1,725)	(7,901)
Net impairment losses on financial and contract assets	(30)	-	-	-	(30)
Other income	-	39	-	-	39
Operating loss	**(2,104)**	**(286)**	**(28)**	**(1,725)**	**(4,143)**
Adjusted (LBITDA)/ EBITDA*	**(916)**	**(261)**	**36**	**(1,525)**	**(2,666)**
Reorganisation and transactional items included within administrative expenses	(190)	-	-	(255)	(445)
Depreciation	(43)	(3)	(37)	(10)	(93)
Amortisation	(637)	(22)	(21)	-	(680)
Impairment of intangible assets	(297)	-	-	-	(297)
Share based payments charge	(21)	-	(6)	65	38
Operating loss	(2,104)	(286)	(28)	(1,725)	(4,143)
Net finance cost	-	-	(16)	(54)	(70)
Loss before tax	(2,104)	(286)	(44)	(1,779)	(4,213)

* Loss / profit for the period from continuing operations before net finance costs, tax, depreciation, amortisation, integration and transactional items, impairment charges and share based payment charge

4. Revenue

Six months ended 31 July 2019	Software – UK Division Unaudited £000	Software – New Zealand Division Unaudited £000	Hardware and Systems Integration Unaudited £000	Total Unaudited £000
Segment revenue	775	592	1,587	2,954
Timing of revenue:				
At a point in time	351	6	1,420	1,777
Over time	424	586	167	1,177
Total	**775**	**592**	**1,587**	**2,954**

Six months ended 31 July 2018	Software – UK Division Unaudited £000	Software – New Zealand Division Unaudited £000	Hardware and Systems Integration Unaudited £000	Total Unaudited £000
Segment revenue	589	-	1,289	1,878
Timing of revenue:				
At a point in time	388	-	1,289	1,677
Over time	201	-	-	201
Total	**589**	**-**	**1,289**	**1,878**

Year ended 31 January 2019	Software – UK Division Audited £000	Software – New Zealand Division Audited £000	Hardware and Systems Integration Audited £000	Total Audited £000
Segment revenue	3,348	272	2,687	6,307
Timing of revenue:				
At a point in time	2,318	40	2,687	5,045
Over time	1,030	232	-	1,262
Total	**3,348**	**272**	**2,687**	**6,307**

5. (Loss)/earnings per share

	Six months ended 31 July 2019 Unaudited £000	Six months ended 31 July 2018 Unaudited £000	Year ended 31 January 2019 Audited £000
(Loss)/profit attributable to ordinary equity holders of the Company			
From continuing operations	(3,575)	(2,658)	(2,483)
From discontinued operations	-	2,371	1,884
Total	(3,575)	(287)	(599)
	Number	**Number**	**Number**
Weighted average number of shares used as denominator in calculating earnings per share	22,157,413	20,784,795	21,190,940
Adjustment for calculation of diluted earnings per share	-	-	-
Weighted average number of shares used as denominator in calculating diluted earnings per share	22,157,413	20,784,795	21,190,940
	Pence	**Pence**	**Pence**
Basic earnings per share:			
From continuing operations	(16.1)	(12.8)	(11.7)
From discontinued operations	-	11.4	8.9
Total	(16.1)	(1.4)	(2.8)
Diluted earnings per share:			
From continuing operations	(16.1)	(12.8)	(11.7)
From discontinued operations	-	11.4	8.9
Total	(16.1)	(1.4)	(2.8)

6. Cash flow information

	Six months to 31 July 2019 Unaudited £000	Six months to 31 July 2018 Unaudited £000	Year ended 31 January 2019 Audited £000
Loss before income tax from continuing operations	**(3,957)**	**(2,672)**	**(4,213)**
Adjustments for:			
Depreciation and amortisation	648	373	773
Impairment of intangible assets	-	-	297
Non-cash employee benefit expense	27	41	(38)
Net gain on sale of non-current assets	4	-	(14)
Finance costs – net	(3)	100	70
Gain on derecognition of contingent consideration	-	-	(50)
Net exchange differences	(28)	-	94
Change in operating assets and liabilities of continuing operations, net of effects from purchase of SwipedOn Limited			
Movement in trade and other receivables	1,396	1,450	(950)
Movement in accrued income	(89)	(1,054)	(714)
Movement in inventories	222	26	(291)
Movement in prepayments	(53)	(105)	57
Movement in trade creditors	(895)	(963)	987
Movement in deferred income	75	108	443
Movement in other provisions	(5)	132	(50)
Cash generated from continuing operations	**(2,658)**	**(2,564)**	**(3,599)**
Loss before income tax from discontinued operations	-	2,526	2,039
Adjustments for:			
Depreciation and amortisation	-	269	283
Non-cash employee benefit expense	-	(109)	43
Profit on sale of discontinued operations	-	(1,878)	(1,542)
Finance costs – net	-	2	2
Change in operating assets and liabilities of discontinued operations net of effects from the disposal of the Systems Integration and Managed Services divisions			
Movement in trade and other receivables	-	(1,410)	(1,410)
Movement in accrued income	-	(4,808)	(4,808)
Movement in inventories	-	(12)	(12)
Movement in prepayments	-	279	279
Movement in trade creditors	-	4,780	4,780
Movement in deferred income	-	469	469
Movement in other provisions	-	7	7
Cash generated from discontinued operations	**-**	**115**	**130**
Cash used in operations	**(2,658)**	**(2,449)**	**(3,469)**

7. Leases

During the period the Group entered into various contracts containing leases for office space and associated office fit out refurbishments. Rental contracts have been made for fixed periods of between 5 and 10 years including options to extend. Where contracts contain both lease and non-lease components the group allocates consideration between the lease and non-lease components based on their relative standalone prices.

Leases have been recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset was available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that cannot be readily determined the lessee's incremental borrowing rate is used, being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

The following amounts are included in the balance sheet relating to leases for which the Group is a lessee:

Right-of-use assets	**At 31 July 2019 Unaudited £000**	**At 31 July 2018 Unaudited £000**	**At 31 January 2019 Unaudited £000**
Office Buildings	720	-	-
Office refurbishments	377	-	-
Total	1,097	-	-

Lease liabilities	**At 31 July 2019 £000 Unaudited**	**At 31 July 2018 £000 Unaudited**	**At 31 January 2019 £000 Unaudited**
Current	100	-	-
Non-current	949	-	-
Total	1,049	-	-

Additions to the right-of-use assets during the six months to 31 July 2019 were £1,121K.

The following amounts are included in the income statement relating to leases for which the Group is a lessee:

Depreciation charge of right-of-use assets	Six months to 31 July 2019 £000 Unaudited	Six months to 31 July 2018 £000 Unaudited	Year to 31 January 2019 £000 Unaudited
Office Buildings	24	-	-
Office refurbishments	-	-	-
Total	**24**	**-**	**-**

	Six months to 31 July 2019 £000 Unaudited	Six months to 31 July 2018 £000 Unaudited	Year to 31 January 2019 £000 Unaudited
Interest expense included within finance costs	18	-	-
Expense relating to low value assets	-	-	-
Expense relating to short term leases	123	-	-

8. Subsequent events

On 30 October 2019 the Group entered into a conditional agreement to acquire 100% of the share capital of Space Connect Pty Limited, a workspace management software business registered in Australia, for a consideration of AU$6.0 million (approximately £3.25m). The consideration will be satisfied as to 50% in cash and 50% through the issue of new ordinary shares in the Company.

The Group has entered into an agreement to raise £3.44m through the placing of 4,747,587new ordinary shares at a price of 72.5p per share. The proceeds will be used to fund the cash element of the consideration for Space Connect Pty Limited and to provide working capital for the Group.