SMARTSPACE SOFTWARE PLC

Annual Report

for the Year Ended 31 January 2019

Contents

What we do

SmartSpace Software Plc develops and sells solutions that help clients optimise their corporate real estate.

We do this by offering a range of cloud-based SaaS software solutions including

- **Desk booking**
- **Meeting room management**
- **Wayfinding**
- **Visitor management**
- **Smart car parking**
- **Analytics**
- **Employee engagement**
- **Event Management (launches H2 2019)**

Real ROI

By using our software to introduce hot desking one of our clients achieved a ratio of 1.4 employees per desk. As a result they needed one less floor saving £1m pa in rent

We offer two software platforms, each aimed at a different market segment

For the mid-market and enterprise customers:

SMARTSPACE SOFTWARE

For self-serve clients who need to get up and running quickly without complex requirements:

swipedon

Space Management Software – a definition

Software that captures information, analyses and reports on the use of rooms and desks as well as supporting the processes by which organisations arrange and move staff, in addition to helping occupants navigate their properties.

Verdantix Smart Innovators Report 2018

Our market

We operate in the Space Management market, a fast-growing segment that has emerged from the IWMS market (Integrated Workplace Management Software). Traditionally, organisations have viewed real estate as a fixed cost but, now new generation software can help them get more from their corporate real estate. Using technology provided by SmartSpace occupiers can achieve more efficient use of their desk space and meeting rooms. Enhanced real time analytics helps occupiers better understand how their office space is utilised. Clients use our software to introduce agile working (also referred to as 'hot desking') allowing them to transition from a static to a dynamic, collaborative workplace, creating a better environment for their employees.

High Growth market

The occupancy analytics market in commercial office space is growing at 24% CAGR

Memoori 2018

Our customers

We have product offerings for clients that range in size from small single site organisations to large multinational businesses.

SmartSpace operates globally and we have customers in most business sectors. Our largest clients include international banks with multiple locations across continents and in a wide range of other industries including advertising, manufacturing, consulting, technology, NGOs and the public sector

3,140 customers*

In 39 countries

*at 16/5/19

Our locations

6 locations

London

Luton

Bristol

Mildenhall

Tauranga (New Zealnad)

Austin (Texas)

Our history

2000

Started life as an AIM company called Coms with a business offering telecoms and IT infrastructure services

2013

Acquired Redstone, a major provider of System Integration and IT managed service business, along with a number of other companies in the animation and telecoms sectors.

2014

Developed our first software solution to help a client manage their desk utilisation

2015

Restructured the group and divested or closed a number of subsidiaries, exited the telecoms market

2016

Accelerated our investment in our space management software, acquired ConnectIB to enable us to scale our software development capability. Renamed Coms plc to RedstoneConnect plc with a focus on systems integration, IT infrastructure, and a growing software division.

2017

Acquired Anders & Kern, based in Mildenhall who had over 10 years experience in meeting room management technology and implementation.

2018

June 2018 disposed of the Redstone systems integration and IT Infrastructure business to focus on becoming a pure software group specialising in space management.
July 2018 renamed RedstoneConnect as SmartSpace Software plc.
October 2018 acquired SwipedOn, a leading SaaS provider of visitor management software.

2019

March 2019 Released version 2.0 of our SmartSpace product.
Opened office in Austin, Texas.
May 2019 3,140 customers in 39 countries.

Chairman's statement

The 2019 financial year has been a year of transformational change for SmartSpace. In May 2018 the Company announced the disposal of its Systems Integration and Managed Services divisions which substantially changed the Group. The Board had for some time considered that the growth prospects for these divisions, with their lack of forward visibility of revenues, were lower than for the software business and it was decided that the Group should focus on higher margin business in a less mature market with better visibility of revenues and with significant potential to grow internationally.

The Board believes that by focusing investment on the development of the Software division, there is greater scope to build higher levels of better quality recurring revenues and therefore generate more attractive returns for shareholders over the longer term.

The Board considers that the disposal terms represented a good return for both the Company and our shareholders. The two businesses were acquired for a combined consideration of £11.9 million in 2014 and 2016 and sold for £21.6 million, of which £19.6 million was payable in cash on completion, and £2.0 million payable, subject to completion of an already contracted project by Redstone Converged Solutions Ltd. The disposal group had net assets of £19.4 million at the date of disposal (including cash of £4.0 million) and realised a gain on disposal of £2.9 million after deducting disposal costs of £0.7 million. The Group has received £1.0 million of the deferred consideration at the balance sheet date and expects to collect the balance in the coming months.

Following the disposal, the Company changed its name to SmartSpace Software plc to reflect its transition into a pure-play software business focussed on SaaS solutions to help our customers optimise their corporate real estate. As part of this transformation the Group completed the acquisition of SwipedOn Limited ("SwipedOn") in October 2018 for a total purchase price of £5.5m of which £4.3m was satisfied by cash and £1.2m by the issue of new shares in the Company. SwipedOn, which is based in New Zealand, is a fast -growing SaaS business offering a visitor management solution to customers around the globe on a monthly subscription basis. The acquisition of SwipedOn directly aligns with the Group's strategy of growing recurring annuity based SaaS revenues diversifies the Group's product range to include entry level, self-serve customers in the workplace market.

Since the acquisition we have focussed on customer acquisition and have seen a net increase of 19% in customer numbers to 2,713 as at 31 January 2019. This has resulted in a 15% increase in annual recurring revenue from NZ$1.64m at the end of September 2018 to NZ$1.89m at the end of January 2019. As we move into FY20 we continue our focus on customer acquisition but will also look to increase the average revenue per customer (ARPU) via a new pricing plan and the development of add-on modules which can be sold to both existing and new customers.

The transition to a focussed software business has necessitated a significant investment in development and personnel in FY19 which is continuing in FY20. The Group has recruited a number of senior personnel to manage not only software development but also to ensure we have a proficient professional services capability to deploy enterprise and mid-market customers. As a result, the Group has recently been able to announce the signing of significant contracts with a leading international bank and a leading hospitality company.

Employees

The Group now employs around 130 people (including onshore and offshore contractors) around the world. A motivated and committed workforce is vital to the continuing development of the Group and i would like to thank all the staff for their continuing hard work, dedication and loyalty to the Group. Most staff have been granted options under the Company share option scheme and their interests are therefore aligned with those of shareholders.

Board changes

In June 2018, following the disposal of the Systems Integration and Managed Services divisions, Mark Braund stepped down as chief executive, having successfully managed the Group through its restructuring and disposals. At the same time Frank Beechinor moved from non-executive chairman to become CEO and I took over as non-executive chairman. Frank has significant relevant experience for the ongoing business through his successful involvement with dotDigital and OneClick HR.

In November 2018 Spencer Dredge moved to the position of Chief Operations Officer and stepped down from the main board. In his new role Spencer's focus is on integration of the business units, driving operational efficiencies and identifying and integrating future strategic acquisition opportunities. At the same time Bruce Morrison was appointed to the Board as Chief Financial Officer and brings with him extensive software industry experience and financial expertise.

Outlook

The funds realised from the disposal of the Systems Integration and Managed Services divisions have allowed us to develop the Software division through investment in research and development and the acquisition of SwipedOn, and the recent release of version 2.0 of our SmartSpace platform represents a significant milestone for the Group.

We will continue with investment in our software platform and to review options to accelerate growth and build shareholder value. We will also continue to grow our direct and indirect sales and marketing capability to ensure we deliver the revenue growth we need for the Group to support the Board's ambition of reaching profitability in the next two years.

The Group has a renewed focus and strategic goal of becoming a leading SaaS based software company providing a range of solutions to help customers optimise their corporate real estate. SmartSpace is emerging as a leader in the fast growing 'smart office' software market, and we look forward with optimism to the next phase of the Group's development.

Guy van Zwanenberg
Chairman

24 May 2019

Strategic report: Strategy and operational review

The Directors present their strategic report on the Group for the year ended 31 January 2019:

Business model and strategy

At the start of the financial year, the Group had three divisions: Systems Integration, Managed Services and Software. The Systems Integration division was characterised by large, low margin projects, which the Board considered were not conducive to delivering significant international revenue growth. As highlighted in the chairman's statement, the Board took a strategic decision to dispose of the Systems Integration and Managed Services divisions. The disposal was completed on 18 June 2018 and realised net cash proceeds (after deducting costs and cash in the subsidiaries disposed) of £16.0m in FY19 with a further £1m to be received in FY20.

Following the disposal, the Board has directed the focus of the Group's resources to the Software division, which sells software to help companies optimise the use of their corporate real estate and set the following strategic priorities:

- to develop technology-led intellectual property to help companies optimise use of their corporate real estate;
- to develop new sales channels to market for our software solutions, focusing where possible on SaaS contracts;
- to continue with a strategy of both organic and acquisitive growth both in our domestic market and overseas; and
- to deliver higher quality earnings which, in turn, improve cash generation.

The Board believes the disposal allows us to accelerate growth of the Software division by providing the capital to further invest in the SmartSpace software platform. These financial resources will also allow us to develop the Group's route to market through expanding our sales and marketing capability and opening indirect sales channels through partnership agreements, the first of which has been signed with Evoko, a leading panel manufacturer. Finally, the proceeds also provide the financial resources to capitalise on potential targeted acquisition opportunities.

The office real estate market is constantly evolving as changes in working practices, demographics and technology are reflected in the office space which businesses provide for their employees. Faced with challenges of rising costs of office space in major global cities, businesses are increasingly looking for ways in which they can improve the return on investment from their corporate real estate and the demand for technology solutions to address these challenges is growing internationally. The strategy for our Software division is to focus on developing our software to take advantage of these exciting opportunities afforded by this fast-growing market.

The SmartSpace platform is a single integrated solution offering a number of modules. Our desk management module can track utilisation of desks and facilitates 'hot-desking', whilst our meeting room management module allows the booking of meeting rooms from multiple touch points to ensure efficient use of this valuable space. The visitor management module provides visitor registration functionality for organisations facilitating a more efficient check-in process and ensures compliance with GDPR and other regulatory requirements. Other modules include wayfinding, car parking and analytics.

The SmartSpace software platform has been developed to an open-architecture standard, is deployable both on-premise and via the Cloud and has a secure API layer, allowing easy integration with third party applications. The data gathering, analytics and dashboard functionality enables customers to deploy mobile and agile working strategies, configuring so as to achieve increased engagement with the workforce whilst realising significant cost benefits for clients. Users access SmartSpace via a mobile app, web portal or touchscreen kiosks.

To date most of our customers have been enterprise level customers as evidenced by the announcement of two material contracts in FY19, one with a leading international bank and a second one with a leading hospitality company. Whilst enterprise customers provide significant revenues, they tend to have a longer sales cycle, are complex to deploy and there are a limited number to target. As the Group moves into FY20, we are focussed on developing channel sales opportunities with the aim of increasing our reach into the mid-market. The acquisition of SwipedOn has provided us with a significant base of international clients at the entry level. This business is characterised by shorter sales cycle, promoted through digital marketing and self-serve onboarding of new clients.

Review of the business

The impact of the disposals can be seen in the Company's financial performance in 2019. We have restated the 2018 income statement to exclude revenues and expenditure from discontinued operations, which are now presented as part of the gain on the disposal in the income statement. The Group has retained Anders & Kern Limited which was acquired in 2017 and whose results were previously reported as part of the Systems Integration division. This company continues to offer hardware and system integration services, including meeting room panels which integrate with our software.

Revenues from continuing operations have increased by 2.8% from £6.14 million in FY18 to £6.3 million in FY19 although the FY18 revenues included one OEM software sale of £2.25 million so the real increase is much more significant. Adjusted EBITDA in FY19 was a loss of £2.7 million compared with a profit of £0.2 million in FY18 reflecting the additional overheads as the Group builds the team in the Software Division to enable the delivery of the strategy of transforming SmartSpace into a leading international provider of workplace optimisation technology products.

The breakdown of revenues by type is:

	2019	2018
	£'000	**£'000**
Recurring revenue		
SaaS	**385**	105
Maintenance contracts	**59**	20
Total recurring revenue	**444**	125
Non-recurring revenue		
Licences	**2,138**	3,088
Professional services	**960**	814
Hardware	**2,765**	2,110
Total non-recurring revenue	**5,863**	6,012
Total revenue	**6,307**	6,137

Recurring revenue comprises contractual fees for ongoing software and services including SaaS, hosting and software support. Non-recurring revenue is all revenue other than recurring revenue and generally comprises software licences, professional services and hardware.

On the face of it, the above revenue split indicates that the Group made slow progress in its aim to transition the business from a licence to a SaaS model. However, whilst the recurring revenue was still at low levels in FY19, contracts signed in FY19 mean that the base for the FY20 is already a multiple of what was reported in FY18. At 31 January 2019 the annual run rate of recurring revenues had increased to £1.39 million (FY18 £249,000). This is before we sign any new contracts in the current financial year. The Group is therefore starting to develop a good base of SaaS revenue which will benefit future years.

The financial performance of the Group for the year is covered in more detail in the Financial Review.

Software development

During the year we invested £2.9 million to improve scalability and enable our technology to operate on multiple cloud platforms. This included investing in our onshore and offshore development teams and increasing our product management and testing capabilities. This culminated in the recent release of SmartSpace version 2.0. In addition, we have integrated with Liso, a well-established meeting room panel product sold across the globe by Swedish manufacturer, Evoko. Our software team are also working with Evoko to develop the software to operate their next generation of meeting room panels to be launched during the calendar year 2019 which will provide the Group with a new revenue stream.

We continue to invest in our unique mobile application which allows both staff and visitors use their mobile device to book desks and/or meeting rooms, for location-based services including wayfinding and to use other services such as catering or transport. Future development will focus on configuration tools to enhance the customer experience of the software and APIs to allow easy integration with other applications.

Acquisition

We have also expanded our product offering and increased our range of customers we serve with the acquisition of SwipedOn in October 2018. Based in New Zealand, SwipedOn is a fast-growing SaaS business which offers a visitor management solution on a monthly subscription to customers around the globe. The SwipedOn product is highly complementary to SmartSpace's existing software offering as well as providing the Group with a self-serve solution aimed at the entry level market. The strategy since acquisition has been to focus on customer acquisition and, as a result, SwipedOn customer numbers have increased by an average 124 per month to 2,713 at 31 January 2019. The aim is to continue to focus on new customer acquisition but also increase the APRPU (average revenue per user) through a combination of new pricing plans and the release of add-on modules leveraging SmartSpace's existing software offering. Churn remains low at less than 6% on an annual basis and the business is achieving a healthy lifetime value to customer acquisition cost (LTV: CAC) ratio of 5.5x. The annual recurring revenue at the end of FY19 was NZ$1.9 million (approximately £1 million) which represents growth of 15% in the three months since acquisition, and this has continued into FY20 when it increased to over NZ$2.2 million (approximately £1.2 million) at the end of April 2019.

Rebranding

In July 2018 RedstoneConnect was rebranded to SmartSpace Software plc giving clarity of identity for both the Company and our products. As part of this transition and in reviewing ways to maximise shareholder value we vacated our offices in central London and moved our main operating base to our existing location in Luton, supported by ancillary offices in Mildenhall and Bristol.

People

The focus post disposal of the RedstoneConnect business has been to build a scalable software development organisation. This involved strengthening the senior management team with the appointment of Alex Rehm as CTO. Since his arrival Alex has grown his team of software developers, designers and testers. As well as running our Anders & Kern business Steven Black was appointed Chief Revenue Officer with responsibility for direct and indirect sales. Steve Batten joined as Chief Customer Officer with the aim of building an implementation and support organisation capable of supporting and deploying the SmartSpace platform into enterprise and mid-market clients. Keith Jump, previously CTO, moved to the role of Chief Strategy Officer and Spencer Dredge, previously CFO, has become COO.

During the past year we have relied on a significant number of UK-based contractors to accelerate our software development programme. Since December we have replaced a number of these contractors with less expensive UK full-time staff or offshore contractors.

Outlook

The Board believes there are substantial opportunities for international growth in the workspace management market, particularly in light of increasing interest in agile working and the connected office environment. We see this growth potential at each level in the market – enterprise, mid-market and self-serve.

SmartSpace is in a strong position to capitalise on this potential following the investment made in developing our software platform and implementation capability. Our 'single platform, seven modules' approach has enabled the Group to sign two material enterprise contracts in the second half of the financial year. We entered FY20 with an increased interest in our product offering with a number of early engagements giving us confidence that we can secure new client mandates over the coming months. We have also appointed our first employees in the US and uncovered interesting opportunities in that market.

The opportunity in the corporate real estate market, which enables employee and visitor engagements through software technology, continues to gather pace and we are ideally positioned to benefit from this potential. In January 2019 we decided not to pursue further clients for our retail platform allowing the Group to focus its software development and sales efforts on the workplace and hospitality markets. It is well known that the retail market is struggling. This fact, combined with the requirement for further investment in our retail platform which would dilute our capacity to further develop our workplace solution, resulted in our decision not sign any new retail customers.

Customer numbers at SwipedOn continue to grow at an impressive rate, and, at 30 April 2019 our customer base stood at 3,063 customers across 4,048 locations in 39 countries. When we acquired this business, we set ourselves the objective of getting to 3,500 customers and we are on target to achieve this number in the coming months. SwipedOn moved to a new billing platform in January 2019 and we introduced a new price plan which is turn has resulted in a 6% increase in ARPU with the potential to increase ARPU further as the new price plan is rolled out across the entire customer base. Our international reach is also growing, and we now have in excess of 1,000 customers in the US, over 700 in UK, 400 in Australia and 300 in New Zealand. Since acquisition we have seen increased traction in new international markets and secured our first customers in Germany, Holland, Singapore, Sweden, Ireland and Denmark. It is our intention to launch our first add-on modules for SwipedOn during FY20 which will allow us to further increase ARPU. The first of these planned modules is Deliveries, allowing customers to handle couriers and packages at reception. Other modules planned include meeting rooms, car parking and desk management, giving us a full range of space optimisation functionality at the self-serve end of the market. In addition, we expect to see increased upsell opportunities from the SwipedOn customer base for our mid-market and enterprise solutions.

Our plan in the coming year is to continue to invest in sales and marketing to enterprise and mid-market companies to maximize the opportunity we see for workplace technology in the UK and overseas. This sales and marketing effort will also include further development of channel sales opportunities. During the coming year we expect to see increased sales from partners, in particular via Evoko, who operate through 400 resellers and distributors across the globe.

We will focus our UK and offshore software development resources on SmartSpace with the aim of enhancing the existing offering and ensuring we maintain competitive differentiation through technology innovation.

Following the success of SwipedOn, we will continue to explore acquisition opportunities that deliver either complementary software functionality or have the potential to increase our customer base and geographical reach.

Finally, on behalf of the Board, I would like to thank my colleagues for their hard work. The quality and commitment of our staff is our biggest strength and this is clearly illustrated by what they have achieved during this transformational year for SmartSpace.

Frank Beechinor
Chief Executive Officer

24 May 2019

Strategic report: Financial review

Overview

On 18 June 2018 the Group completed the disposal of the Systems Integration and Managed Services Divisions. As a result, the income and expenditure of the divisions disposed including interest and tax, together with the gain on disposal has been included as discontinued operations in the income statement. Furthermore, the income and expenditure from those divisions has been excluded from the comparative amounts and included as discontinued operations in the income statement. There have been changes to the presentation of certain assets and liabilities in the balance sheet as a result of implementing IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial Instruments' although there has been no requirement to restate prior year's results or opening reserves.

Revenue for the year from continuing operations was £6.31 million (2018: £6.14 million). Adjusted EBITDA (as defined in note 3b) was a loss of £2.7 million (2018: profit £0.2 million) and operating loss was £4.14 million (2018: £0.62 million). The Board is not recommending the payment of a dividend this year.

Revenue

	2019	2018
	£'000	**£'000**
Recurring revenue	**444**	125
Non recurring revenue	**3,098**	3,902
Software and services	**3,542**	4,027
Hardware	**2,765**	2,110
Total revenue	**6,307**	6,137

Software and services revenues comprise revenues from the SmartSpace platform and SwipedOn. The non-recurring revenues for FY18 include £2.25 million in respect of a one-off OEM software sale. Hardware revenues of £2.77 million (FY18: £2.11 million) 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.

Recurring revenues of £444,000 (FY18: £125,000) comprise the SaaS revenues and software maintenance revenues and include £272,000 from SwipedOn which was acquired in October 2018. At 31 January 2019 the annual run rate of recurring revenues had increased to £1.39 million (FY18: £249,000).

Gross profit

The gross profit has decreased by 16.6% to £3.75 million (FY18: £4.50 million) reflecting the increase in revenue from hardware and the one-off OEM sale in FY18.

Operating expenses

	2019	2018
	£'000	**£'000**
R&D	**1,138**	94
Sales and G&A	**5,286**	4,189
Share -based payment charge	**(38)**	82
Depreciation and amortisation	**773**	364
Impairment of intangible assets	**297**	-
Reorganisation and transformational costs	**445**	389
Total operating costs	**7,901**	5,118

The Group continues to invest in research and development of new products and increased spend to £2.92 million (FY18: £1.33 million) of which £1.78 million (FY18: £1.23 million) was capitalised.

Sales and G&A costs increased by 26% to £5.29 million (FY18: £4.19 million) of which 11% related to the acquisition of SwipedOn and a full year's contribution from Anders & Kern Limited. The remaining increase reflects the investment the Group has made in strengthening the management team within the Software division.

The increased depreciation and amortisation of £773,000 (FY18: £364,000) arises as a result of the increased spend on research and development and amortisation of the acquired intangibles relating to the SwipedOn acquisition.

Exceptional items within operating expenses include:

- Reorganisation and transformational costs of £445,000 (FY18: £389,000)
- Impairment of previously capitalised research and development costs following the decision not to pursue further revenue from the retail sector

Taxation

The taxation credit on continuing operations of £1.73 million comprises current tax of £445,000 which relates principally to cash recoverable on R&D tax credits and deferred tax of £1.29 million representing tax losses recognised as an asset in the balance sheet net of timing differences on property, plant and equipment and intangible assets.

Earnings per share

The loss per share was 2.83p compared with earnings per share of 7.69p for FY18 and the loss per share from continuing operations was 11.72p (FY18: loss per share 1.86p).

The adjusted loss per share from continuing operations which excludes the after-tax impact of discontinued operations, exceptional items, share-based payments and the amortisation of intangible assets recognised on acquisition was 8.39p (FY18: earnings per share 0.65p).

Intangible assets and goodwill

Following the disposal of the Systems Integration and Managed Services Divisions, the acquisition of SwipedOn and the ongoing investment in research and development, Group intangible assets have decreased by £5.19 million to £11.26 million at 31 January 2019 of which £7.13 million is goodwill compared with £12.23 million at 31 January 2018.

Cash flow

The net cash outflow from operations was £3.50 million (FY18: £2.32 million) of which an outflow of £3.60 million (FY18: £1.81 million) related to continuing operations and an inflow of £130,000 (2018: outflow £501,000) arose from discontinued operations. The cashflow from continuing operations was adversely affected by the increase in accrued income of £714,000 as a result of software licences recognised in 2019 and not yet invoiced and trade receivables of £1.1 million, which related primarily to the final amount due on an OEM software sale from 2018. This was settled in February 2019, shortly after the year end.

The Group received net disposal proceeds of £15.97 million from the disposal of the Systems Integration and Managed Services Divisions comprising the cash on completion of £19.6 million, deferred consideration received of £1.0 million less disposal costs of £701,000 and cash disposed of in the disposal group of £3.93 million. The Group has used these proceeds to fund the net cash from operations of £4.83 million and has also reinvested some of those disposal proceeds in the acquisition of SwipedOn Limited for £3.97 million, capital expenditure including development of £2.12 million and the repayment of borrowings of £1.8 million.

Overall the net cash inflow was £4.61 million compared with a net inflow of £248,000 for FY2018.

Financial position

The Group had cash balances at 31 January 2019 of £8.05 million (FY18: £3.44 million) and borrowings of £426,000 (FY18: £2.23 million). The borrowings comprise a mortgage on the Group's freehold property in Mildenhall.

At 31 January 2019 the Group had equity of £23.47 million (FY18: £22.40 million) and net current assets of £9.4 million (FY18: £6.04 million) including contract assets of £698,000 (FY18: £6.70 million) and trade receivables of £2.02 million (FY18 £5.64 million). The Group has a further £1.56 million of accrued income in non-current assets. The requirement to fund working capital has been significantly reduced following the disposal of Systems Integration and Managed Services Divisions.

The other financial assets include £1.0 million out of a total of £2.0 million deferred consideration which was retained by the purchaser for working capital purposes at the date of acquisition. It relates to a contract asset in respect of a customer contract which was due to be recovered after the completion of the sale. As the value of contract asset reduces over time the contingent consideration is repayable to the Group. In the event that the value of the contract asset exceeds the contingent consideration the Group may be required to provide additional funding to cover the excess of the contract asset over the value of the contingent consideration. At 31 January 2019 no additional working capital has been provided and £1.0 million has been paid to the Group. The remaining £1.0 million included in other financial assets at amortised cost is expected to be fully recovered in the current financial year.

Trade receivables at 31 January 2019 includes an amount of £750,000 in respect of an OEM software sale in 2018 and which was settled in full shortly after the year end and further amount of £385,000 in respect of one customer which was invoiced in December 2018 and paid in full after the year end in accordance with the payment terms for that customer.

Dividend policy

The Group reported a retained loss of £599,000 (FY18: profit of £1.51 million), which has been transferred to reserves. At 31 January 2019, the Company had retained earnings (including the gain on disposal of subsidiaries) of £23.84 million (FY18: £24.13 million). The Board considers that it is in shareholders' best interests to retain resources in the Group to invest in further software development and potential acquisitions. However, should it become apparent in the next 24 months that not all of the available resources are required, the Board will consider implementing a distribution policy or return of capital to shareholders.

Bruce Morrison
Chief Financial Officer

24 May 2019

Strategic Report: Principal risks

Principal risks and uncertainties

The Group could potentially be affected by a number of uncertainties and risks that are not wholly within its control:

Changes resulting from the UK's exit from the European Union

The Board continues to monitor its operations as a result of the UK's referendum to leave the European Union ("Brexit"). The Group aims to mitigate the risks associated with Brexit on operations and financial performance by expanding the business outside of the UK. The Board believes that smart software technologies will resonate with clients anywhere in the world and therefore Brexit is not a material concern.

Reliance on key personnel and management

The success of the Group will rely upon attracting and retaining the right calibre of talent. The Group operates an active talent and development program. The Group continuously monitors and develop this programme to meet the ambitious requirements of the business. The loss of key staff would be detrimental to the Group. The Group utilises a number of tools to retain its senior management including: an annual bonus and long-term incentive plans.

Technological change and competition

The pace of technological advancement in today's world is apparent, affecting all aspects of life, and the Group's products target a market which is evolving at a considerable pace. Failure to keep pace with innovation or to develop the wrong solutions could lead to a loss in revenue and increased development costs. We will continue to understand client requirements and research the market to ensure we focus our product development program to ensure we have the most relevant software which is competitive in the global market. The risk should we fail to build upon recent investment in software is considerable, and therefore identifying increased product functionality and differentiation will ensure we manage and mitigate this risk.

Sales and channel development

Key to our future success will be developing successful channels to market. Productising our software offering is crucial to ensuring a successful channel strategy, ease of sale and installation are both key components to ensure partner adoption. Failure to develop channels to market is likely to impact our ability to scale the business. Recent and ongoing investment will ensure we have products to share with channel partners along with the necessary training and installation support.

Client delivery

Our software solution addresses many client requirements, some of which can be complex installations. Client IT environments are not uniform and therefore delivery is a key component to successful client relationships. To counter this risk we focus on project management, with technically capable trained resources and planning which is essential for delivering an excellent installation experience and ensuring long term client retention.

Accreditations and industry standards

Industry standards are constantly changing with data and cyber security being key concerns for most organisations. Ensuring the Group is planning and maintaining its accreditations will mitigate the risks associated with ever changing high standards of practice.

IP protection

Our intellectual property is one of our key assets, and loss thereof could result.in us losing our competitive advantage. Maintaining contractual disciplines and vetting who we choose to share any level of object or source code, product knowledge and wherewithal and general secrets of how we operate are constantly monitored and reviewed. Confidentiality is a key component to managing this risk and the Group has legally binding agreements to ensure this is robust and maintained.

Post-acquisition risk

The Board's stated strategy is that it is seeking to make acquisitions to complement the Company's products and services. Integrating new acquisitions involves risk resulting from poor communication, inadequate business processes, loss of staff, loss of clients and other factors. Therefore, integration risk needs to be assessed and monitored to ensure value is achieved from any business combination. Post-acquisition risk is managed by both Executive Directors and senior management.

Going concern

The Group continues to make losses as a result of its ongoing investment in software development, and sales and marketing. The Board will continue to monitor the Group's ability to continue as a going concern until such as time as the Group becomes profitable and cash generative.

The Strategic Report, comprising the Strategy and Operational Review, Financial Review and Principal Risks was approved by the Board on 24 May 2019 and signed on its behalf by:

Frank Beechinor
Chief Executive Officer

24 May 2019

The pace of technological advancement in today's world is apparent, affecting all aspects of life, and the Group's products target a market which is evolving at a considerable pace.

Directors and officers

Guy van Zwanenberg (Chairman)

Guy joined the Board on 9 March 2015 as a Non-Executive Director, a role which he maintained until June 2018 when he stepped into the Chairman's role. Guy is also Chairman of the Remuneration Committee and Nomination Committee and a member of the Audit Committee. Guy has more than 40 years' experience in industry and practice. He qualified as a Chartered Accountant with Grant Thornton and then spent three years working with James Gulliver.

Guy subsequently moved to become UK Finance Director of an American computer accessory company which was taken public in 1989. In 1991, he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial help. Guy joined Gamingking PLC in 1998 on a part-time basis as Finance Director and became Company Secretary and Non-Executive Director in 2006, remaining until May 2013. He joined Quixant plc as a Non-Executive in March 2013 as part of the float team. Guy is both a Fellow of The Institute of Chartered Accountants in England and Wales and a Chartered Director.

Frank Beechinor (Chief Executive Officer)

Frank was appointed chairman of the Board on 10 July 2014 and led the Board and led the business through its restructuring from what was then Coms plc. He became Chief Executive Officer in July 2018 with the aim of leading SmartSpace Software plc to become a market leader in space management technology. He has significant corporate experience, particularly in the software industry and building SaaS businesses.

Frank is a co-founder of Cadence Performance Ltd. Frank was previously founder and CEO of OneClick HR plc from 1997 to 2011 and Non-Executive Chairman of dotDigital Group plc from May 2011 to March 2019.

Bruce Morrison (Chief Financial Officer)

Bruce has over 25 years' commercial experience in finance strategy and accounting, fundraising, M&A and disposals. Bruce was most recently Group Finance Director at Bond International Software plc, where he led a successful divestment of all operations, with £55 million returned to shareholders. He held this role for 13 years. ACA qualified, Bruce started his career as a Chartered Accountant with KPMG in audit and transaction advisory work before transitioning to FD and CFO roles for publicly listed and private organisations in IT, media and leisure.

This included eight years as FD of Wembley Stadium Limited, which owned and operated the Wembley Complex including the Stadium, Arena and Conference and Exhibition Centre. Bruce then spent over three years with Radio First plc where he was involved in securing a multi-million-pound institutional investment and joint venture agreements for the operation of new radio stations on a digital platform.

Diana Dyer Bartlett (Non-Executive Director)

Diana was appointed to the Board in October 2013 and is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. Diana acted as interim FD of the Company between the end of 2014 and September 2015.

With 30 years' experience in accountancy, investment banking and finance, Diana has an impressive track record in investments, mergers and acquisitions, corporate governance and business transformation in publicly quoted, venture capital and private equity backed companies, both as FD and Company secretary. She is Non-Executive Director and Audit Committee Chairman of Smithson Investment Trust plc, which is a FTSE 250 investment trust focusing on global small and mid-cap companies and which, in October 2018, achieved the largest initial public offering of an investment trust in the history of the London Stock Exchange. Diana is an Associate of the Institute of Chartered Accountants in England and Wales.

Company information and advisers

Registered office

Building 250
The Village
Butterfield
Luton
LU2 8DL

Company Number

5332126

Company advisers

Nominated adviser and broker

N+1 Singer
Bartholomew Lane
London
EC2N 2AX

Auditor

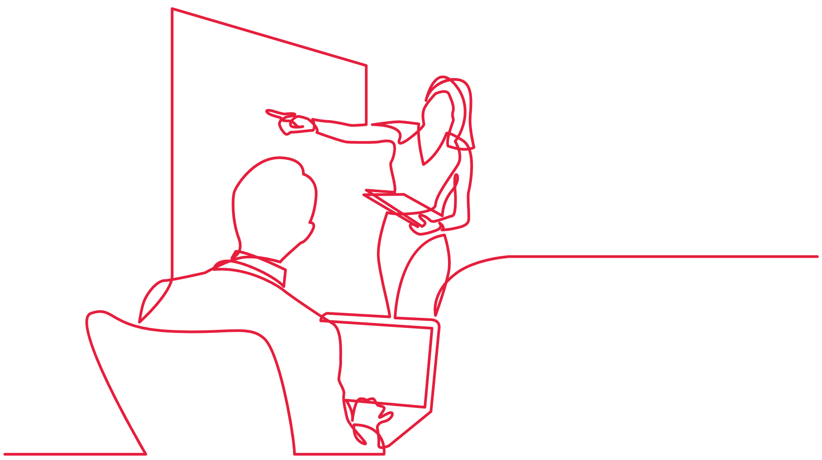
KPMG LLP
Chartered Accountants & Statutory Auditors
58 Clarendon Road
Watford
WD17 1DE

Registrar

Share Registrars Ltd
Craven House
West Street
Farnham
Surrey
GU9 7EN

Banker

Barclays Bank Plc
1 Churchill Place
London
E14 5HP



Remuneration report

The Remuneration Committee

The Company is not required by the AIM Rules or the Companies Act to produce a remuneration report but has done so to maintain good standards of corporate governance. The Company's remuneration policy is the responsibility of the Remuneration Committee which comprised Guy Van Zwanenberg (Non-Executive Chairman) and Diana Dyer-Bartlett (Non-Executive Director) during the year.

General policy

The Company's policy is to provide remuneration packages for Executive Directors which aims to attract and retain high quality executives and which link their reward to the Group's performance.

Remuneration package

There are four components to the remuneration package, namely base salary and benefits, bonus, pension arrangements and long-term incentive arrangements:

- The base salaries of the Executive Directors were set at levels considered to be appropriate when they entered into service agreements with the Company. The base salaries are reviewed by the Remuneration Committee annually and any increases are awarded having regard to performance and salary levels in comparable organisations. Benefits which may include car allowance and private health insurance are not pensionable.
- Frank Beechinor and Bruce Morrison are entitled to a discretionary bonus provided the Company achieves its targets for the financial year.
- The Company contributes to money purchase pension arrangements, and private medical insurance and death in service benefit are also provided.
- The Company has established an unapproved share option scheme and an Enterprise Management Incentive (EMI) share option scheme in which the Directors may participate.

Directors' remuneration

The remuneration of the Directors who held office during the year was:

	Salary and fees		Taxable benefits		Compensation for loss of office		Annual bonus		Long-term incentive schemes		Pension related benefits		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Guy van Zwanenberg	**55**	40	-	-	-	-	-	-	**2**	2	-	-	**57**	42
Frank Beechinor	**161**	65	-	-	-	-	**110**	-	**23**	6	-	-	**294**	71
Bruce Morrison	**29**	-	-	-	-	-	**5**	-	-	-	**1**	-	**35**	-
Diana Dyer Bartlett	**40**	40	-	-	-	-	-	-	**4**	4	-	-	**44**	44
Mark Braund	**263**	300	-	4	**50**	-	**80**	50	**15**	40	**6**	38	**414**	432
Spencer Dredge	**123**	150	-	1	-	-	**40**	30	**4**	16	**7**	9	**174**	206
Total	**671**	595	-	5	**50**	-	**235**	80	**48**	68	**14**	47	**1,018**	795

Frank Beechinor moved from Non-Executive Chairman to CEO on 15 June 2018 when Mark Braund left and Guy van Zwanenberg took over as Non-Executive Chairman.

Spencer Dredge stepped down from the Board on 27 November 2018 and Bruce Morrison joined the Board on 27 November 2018.

Payment for loss of office

On 15 June 2018 the Company announced the resignation of the Mark Braund as a director of the Company following the sale of the Systems Integration and Managed Services Divisions. Under the terms of his settlement agreement Mark was paid for, the notice period under his contract which ended on 16 December 2018. Under the terms of the settlement agreement Mark was paid £50,000 as compensation for loss of office.

Share options awarded during the year

The following share options were awarded to the Directors during the year:

Director	Scheme	Instrument	Number of ordinary shares of 10p each	Exercise price	Grant date	Expiry date
Frank Beechinor	LTIP	Share Option	284,050	94p	17/10/2018	17/10/2028
Frank Beechinor	EMI scheme	Share Option	265,950	94p	17/10/2018	17/10/2028
Spencer Dredge	LTIP	Share Option	265,950	94p	17/10/2018	17/10/2028
Spencer Dredge	EMI scheme	Share Option	69,050	94p	17/10/2018	17/10/2028

The options have an exercise price of 94p per share, vest three years from the date of grant and once vested are exercisable at any time up to ten years after the date of grant, subject to performance conditions whereby the average mid-market closing share prices of the Company's ordinary shares in any 90 day period in the period to 17 October 2021 is at or above certain defined levels as follows:

Share price	Percentage of options Exercisable
£1.50	15%
£2.50	31%
£3.50	54%
£4.50	77%
£5.00	100%

In addition, the performance period attaching to existing options granted to board members has been extended to 17

October 2021 with the same performance conditions continuing to apply.

Following the grant of these options the Directors held the following outstanding options at 31 January 2019:

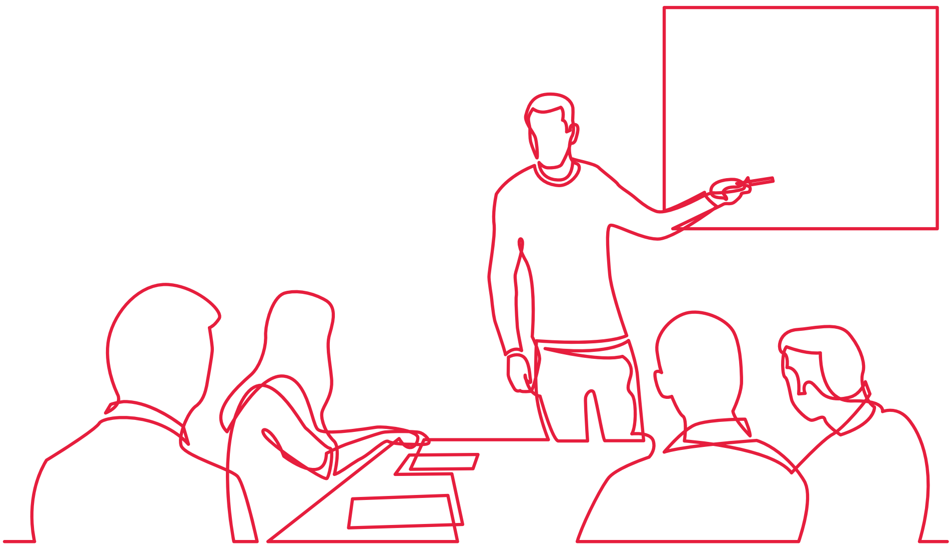
Director	Instrument	Number of ordinary shares of 10p each	Exercise price	Grant date	Expiry date
Guy van Zwanenberg	Share Option	30,000	92p	11/12/2015	11/12/2025
Frank Beechinor	Share Option	100,000	92p	11/12/2015	11/12/2025
Frank Beechinor	Share Option	550,000	94p	17/10/2018	17/10/2028
Diana Dyer Bartlett	Share Option	70,000	92p	11/12/2015	11/12/2025

None of the Directors had any beneficial interest in the shares of any subsidiary companies.

The movement on Directors' share options during the year is set out below:

	2019		2018	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Outstanding at start of year	**1,110,000**	**92.00p**	1,110,000	92p
Granted during the year	**885,000**	**94.00p**	-	-
Forfeited during the year	**(260,000)**	**(92.00p)**	-	-
Ceasing to be a director	**(985,000)**	**(92.68p)**	-	-
Outstanding at end of year	**750,000**	**93.47p**	1,110,000	92p
Exercisable at end of year	**200,000**	**92.00p**	-	-

There have been no further options issued since the end of the financial year.



Audit committee report

The Audit Committee is comprised of Diana Dyer Bartlett (chair of the Committee) and Guy van Zwanenberg. Both Diana Dyer Bartlett and Guy van Zwanenberg have recent and relevant financial experience by virtue of their senior financial roles and both hold a professional accountancy qualification. The Audit Committee aims to meet at least twice a year and at other times as agreed by the members of the Committee. Executive Directors and the Group's auditors may be invited to attend all or part of any meetings. The Committee also meets with the Group's external auditor without the presence of the Executive directors. The current terms of reference of the Audit Committee were reviewed and updated in April 2019.

In advance of the audit of the Group's financial statements, the Audit Committee reviewed the plan as presented by the Group's external auditor, KPMG LLP. The plan set out the proposed scope of work, the audit approach, materiality and identified areas of audit risk and was compliant with the Ethical Standards for Auditors issued by the Auditing Practices Board. Prior to commencing its audit work, KPMG LLP confirmed in writing the safeguards in place to ensure its independence and objectivity. KPMG LLP was appointed as auditor for the year ending 31 January 2015 and the current audit engagement partner is undertaking their first audit of the Group this year.

The Audit Committee also reviews the Annual Report and Financial Statements along with the audit plan, audit findings report and interim findings report presented by KPMG LLP. The Audit Committee will keep under review, in consultation with major shareholders, the decision as to whether to conduct a tender in respect of the audit in line with the recommendations of the Financial Reporting Council.

The Audit Committee is responsible for ensuring that the Group's risks are understood, managed and mitigated as far as practicable. The principal risks and uncertainties relating to the Group are set out on page 13. In making its recommendation that the Annual Report and Financial Statements be approved by the Board, the Audit Committee has taken into consideration the following significant issues and judgement areas:

Carrying value of goodwill and other intangible fixed assets

At 31 January 2019 the carrying value of goodwill and other intangible fixed assets on the Group's balance sheet was £11,252,000 (2018: £16,444,000). The Audit Committee reviewed in detail the judgements taken in the impairment review performed to determine whether there was any indication that those assets had suffered any impairment. The Audit Committee consider the key judgements to be the discount rate and growth rates used in the Value in Use calculations. Following a review of the impact of the sensitivities performed by management on the discount rate and growth rate in the Value in Use calculations, the Audit Committee considered that the rates used were reasonable and no impairment charge is required.

Going concern

The Group is currently loss-making while it completes the first major phase of its software development and until it has built a solid SaaS base. It is anticipated that the New Zealand subsidiary will break even in the current financial year but that the UK software business will not do so until the following financial year. The Audit Committee has considered the Group forecasts which underpin the presumption that the accounts should be prepared under the going concern principle. In particular, it has considered the substantial cash balances retained by the Group from the disposal of the Systems Integration and Managed Services divisions, the SaaS contracts and related revenues already written together with the pipeline of new business, management's sensitivity analysis and the mitigations available to the Group in the event that it does not achieve its forecasts. On this basis, the Audit Committee was able to advise the Board that it was reasonable to prepare the accounts on a going concern basis.

Accounting policies

There were two significant changes in accounting policies for the year ending 31 January 2019 with the application of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 Financial Instruments for the first time. The impact of IFRS 15 and IFRS 9 is shown on page 86.

In the year commencing 1 February 2019, the Group will apply IFRS 16 'Leases' for the first time. The estimated impact of IFRS 16 has been assessed and is set out in note 25 on page 78.

Alternative performance measures

The Group reports a number of alternative performance measures which are not in accordance with the reporting requirements of IFRS. The Audit Committee has reviewed these during the year ended 31 January 2019 to ensure they are appropriate and that in each case the reason for their use is clearly explained; they are reconciled to the equivalent IFRS figure; and they are not given prominence over the equivalent IFRS figure.

Diana Dyer Bartlett

Diana Dyer Bartlett
Chairman, Audit Committee
24 May 2019

Corporate governance report

Compliance with Corporate Governance principles

As an AIM listed company the Board recognises the importance of applying sound corporate governance principles in managing the Group. The Group adopted the QCA Corporate Governance Code (“the “QCA code”) on 28 September 2018 as a benchmark to measuring our performance against good governance principles. This report shows how we apply the QCA Code’s 10 guiding principles in practice.

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

The strategy and business operations of the Group are set out in the strategic report on pages 8 to 14.

The Group’s strategy and business model are developed by the Chief Executive Officer and his senior management team and 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’s immediate key strategic priorities to drive future growth are as follows:

- to focus on developing technology-led intellectual property building on our existing Smart software product suite;
- to continue with a strategy of both organic and acquisitive growth both in our domestic market and overseas;
- to develop new sales channels to market for our software solutions, focusing where possible on SaaS arrangements; and
- to deliver higher quality earnings which, in turn, improve cash generation.

An evaluation of the potential risks and uncertainties of the Group are set out on page 13.

2. Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain a 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 Board and senior management team meet with investors and analysts 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.

Private shareholders – the main forum for private shareholders to engage with the Board is at the Company’s AGM where the Board makes itself available for shareholders to ask questions. The notice of AGM is sent to shareholders at least 21 days before the meeting is due to be held. At the meeting, shareholders vote on each resolution and the meeting is advised of the number of proxy votes for, against and withheld on each resolution. The outcome of the AGM is subsequently announced via RNS and published on the Company’s website.

Institutional shareholders – the Directors consider that it is important that its institutional shareholders understand the business and that their expectations are in accordance with those of the Board. Members of the Board engage with institutional shareholders following the announcement of the annual and interim results explaining the results and the Board’s vision for the future. These meetings are arranged by the Company’s FCA regulated nominated adviser and broker, who will follow up with investors following the meetings and provide anonymised feedback to the Board. Additionally, ad hoc meetings are attended as requested by existing and potential institutional investors.

The Board will consider all feedback received from shareholders whether at the AGM, during face to face meetings with institutional Investors or from its nominated adviser following those meetings. It reviews analysts’ notes to ensure they accord broadly with the Board’s expectations.

The Group also endeavours to maintain a dialogue and keep shareholders informed through its public announcements and Company website. SmartSpace’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 its business.

The Group has not historically announced the detailed results of shareholder voting to the market, however, the Board intends to do so going forward.

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, which include the Group’s employees, partners, customers, suppliers, and regulatory authorities. The Group’s operations take

account of the requirement 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 long-term strategy.

The Group considers its actions and likely effect that they may have on the environment and seeks to mitigate any negative impact wherever practicable. Through the various procedures and systems it operates, the Group complies with health and safety and environmental legislation relevant to its activities.

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

The Board approves an annual budget which identifies the opportunities to develop the Group's business as well as the resources required to implement its strategy. The Board reviews progress against budgets and forecasts on a regular basis to ensure the Group's performance is on target or actions identified if it is not. It also evaluates the impact of key risks and assesses the resources required to mitigate such risks.

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 annually.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, is set out on in the strategic report on page 13. The Group maintains appropriate insurance cover as part of its risk management programme.

The senior management team meet at least monthly to consider new risks and opportunities presented to the Group, making recommendations to the Board where necessary.

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

SmartSpace's Board consists of four directors, two of whom are non-executive directors. Each of the Directors is subject to election by shareholders at the first annual general meeting after his/ her appointment to the Board; and then retires and seeks re-election in accordance with the Company's Articles of Association. With effect from the next annual general meeting, all directors will seek re-election on an annual basis.

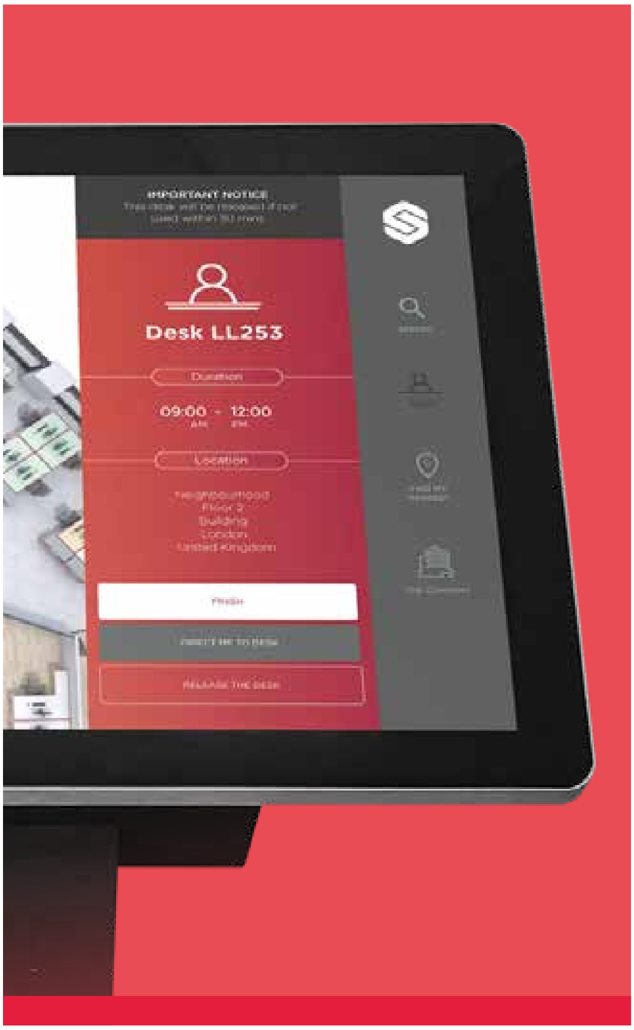
The Group does not have a director designated as a Senior Independent Director. In light of the size of the Board, and the Group's stage of development, the Board does not consider it necessary to appoint a Senior Independent Director at this stage.

Directors' biographies are set out on page 15.

The Board is responsible to the shareholders for the proper management of the Group and meets at least ten times a year to set the overall direction and strategy of the Group, to review technological, operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to board approval as required by the Company's schedule of matters reserved for the Board.

A summary of board and committee meetings held in the year ended 31 January 2019, and directors' attendance records, is set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Guy van Zwanenberg	15/17	2/2	1/1
Frank Beechinor	17/17	n/a	n/a
Diana Dyer Bartlett	16/17	2/2	1/1
Spencer Dredge	13/14	n/a	n/a
Bruce Morrison	3/3	n/a	n/a
Mark Braund	8/8	n/a	n/a



The Board adheres to the QCA Code's recommendations that a Board should have at least two independent non-executive directors. Both Non-Executive directors are regarded as independent under the QCA Code's guidance for determining such independence.

The Non-Executive directors are remunerated by way of an agreed monthly fee. In 2015 they were granted share options under the Company's Unapproved Share Option Scheme, at a time when the Company had trading difficulties and required substantial board intervention but had limited funds. The options are not deemed to be significant enough to impact the Non-Executives' independence and were granted following a shareholder consultation process.

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

The Board considers its directors to have experience in areas critical to the long-term future success of the Group, covering a deep understanding of technology, corporate strategy, finance and investment. The Directors' biographies are set out on page 15.

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.

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

Currently there is no formal board performance evaluation procedure but the Board does discuss its operational efficiency as well as that of individual directors on a regular basis. As the business grows, consideration will be given to adopting a more formal process.

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

The Board seeks to maintain the highest standards of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group, with regular communications to staff regarding the Group's progress. The senior management team regularly monitors the Group's cultural environment and seeks to address any concerns that may arise from time to time.

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.

These core beliefs are reinforced by senior management throughout the year at town hall and other meetings.

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 in the Group. The Chief Executive Officer has the 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 Audit, Remuneration and Nominations Committees with formally delegated duties and responsibilities and which comprise Non-Executive directors only, with executive directors attending by invitation.

Diana Dyer Bartlett chairs the Audit Committee, Guy van Zwanenberg chairs the Remuneration Committee and the Nominations Committee.

The Audit Committee normally meets twice a year and at other times if necessary. The Audit Committee recommends the appointment, scope and fees of the external auditor, discusses issues that arise from the audit, reviews the reports of the external auditors and internal control procedures and considers any financial statements before their publication. The external auditor attends meetings as required by the Audit Committee to consider any issues arising from the audit and the auditor's work. The audit partner meets the Audit Committee without the Executive Directors being present at least once a year.

The Remuneration Committee, which meets as required, but at least once a year, agrees the terms and conditions, including annual remuneration, of Executive Directors and reviews such matters for other senior personnel including their participation in long term incentive schemes. It also supervises the Company's share incentive schemes and sets performance conditions for share options granted under the schemes.

The Nominations Committee meets periodically as required.

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 Company's website is regularly updated, and users can register to be alerted when announcements are posted onto the website.

The Group's financial reports, regulatory news announcements and notices of general meetings, can be found in the investor relations section of the Company's website.

The Group has not historically announced the detailed results of shareholder voting to the market, however, the Board intends to do so going forward. The results of voting on all resolutions in future general meetings will be made available on the Group's website.

The Board seeks to maintain the highest standards of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group, with regular communications to staff regarding the Group's progress.

Directors' report

The Directors present their Annual report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 January 2019. The corporate governance report on pages 21 to 24 forms part of this report. The Company's full name is SmartSpace Software plc ("the Company"), company number 05332126. SmartSpace Software plc is a public limited company, listed on the AIM market of The London Stock Exchange and domiciled in the United Kingdom. The address of its registered office is given on page 16.

Principal activities

During the year the Group's principal activities were infrastructure services, managed services and software products.

Results and dividend

The results for the year are set out in the consolidated statement of comprehensive income on page 36. The Directors do not recommend payment of a dividend (2018: £nil).

Review of the business

A review of the business of the Group, together with comments on future developments is given in the Strategic Report including a description of the principal risks and uncertainties facing the Group on pages 8 to 14.

Research and development

The Group spent £2,926,000 on research and development in 2019 (2018: £1,326,000) of which £1,871,000 was capitalised under IAS 38 "Intangible Assets" (2018: £1,232,000). The Group continues to invest in the development of its SmartSpace and SwipedOn software platforms to further enhance their capabilities. In the opinion of the Directors these investments will maintain and generate significant revenues in future years.

Financial risk management

Details of the Group's financial risk management objectives and policies are set out in note 13 to the financial statements.

Going concern

The Group's business activities and performance, and the financial position of the Group, its cash flows and borrowing facilities, together with the factors likely to affect its future development, performance and position, are explained in the strategic report. Analysis of the Group's key risks is also set out in the strategic report. Further information regarding the assessment of going concern is in note 25 to the financial statements.

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

There have been no post balance sheet events.

Directors

The Directors who held office during the year were as follows:

Guy van Zwanenberg	Non-Executive Chairman
Frank Beechinor	
Bruce Morrison	(appointed 27 November 2018)
Diana Dyer Bartlett	Non-Executive Director
Mark Braund	(resigned 15 June 2018)
Spencer Dredge	(resigned 27 November 2018)

Directors' shareholdings and share interests

At 31 January 2019 the Directors' shareholdings were:

	Ordinary shares of 10p each	
Director	**2019**	**2018**
	No.	No.
Guy van Zwanenberg	**30,000**	30,000
Frank Beechinor	**90,000**	90,000
Bruce Morrison	-	-
Diana Dyer Bartlett	**40,000**	40,000

Details of share options award during the year to Directors and their holdings and the options they hold at the end of the year are set out in the remuneration report on pages 17 to 19.

Directors' indemnities

The Directors have been granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office which remains in force at the date or this report. The Company maintains director and officers' liability insurance.

Re-election of directors

In accordance with principles of the QCA Code, Frank Beechinor, Diana Dyer Bartlett, Guy van Zwanenberg are retiring and seeking re-election. Bruce Morrison has been appointed a director since the last annual general meeting and in accordance with the Articles of Association he retires offers himself for re-election.

Substantial shareholdings

As at the date of this report, the following interests in 3% or more of the issued ordinary share capital had been notified to the Company:

Shareholder	Number of shares	% Holding
Canaccord Genuity Group	2,700,000	12.19%
JO Hambro Capital Management	2,469,999	11.15%
Herald Investment Management	1,826,987	8.25%
Close Brothers Asset Management	1,232,035	5.56%
Hadleigh J Ford	1,048,838	4.73%

Employment matters

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

The Group operates an EMI share option scheme which is open to all employees and introduced a SAYE share incentive scheme in which all staff are invited to participate, thereby aligning their interests with those of the shareholders.

The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programmes in common with all employees. The Group has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

Share capital

Details of the Company's share capital are disclosed in note 10 to the consolidated financial statements.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 7 to the consolidated financial statements.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the Parent Company financial statements on the same basis.

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 Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company, and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for any internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Listing

The Company's ordinary shares have been traded on London's AIM Market since 6 September 2006. N+1 Singers are the Company's Nominated Adviser and Broker. The closing mid-market share price at 31 January 2019 was 91.5 pence (31 January 2018: 109 pence).

Publication of financial statements

The Company's financial statements will be made available on the Company's website wwwsmartspaceplc.com. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein. Shareholders who would like to receive a copy of the financial statements by post, should apply to the Company Secretary at the Company's registered office.

Annual General Meeting

Further details in relation to the Annual General Meeting shall be provided in due course.

Auditor

So far as the Directors are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

In accordance with section 485 of the Companies Act 2006, a resolution proposing that KPMG LLP be re-appointed as auditor will be put to the Annual General Meeting.

The Report of the Directors was approved by the Board on 24 May 2019 and signed on its behalf by:

By order of the Board

Kristian Shaw
Company Secretary

24 May 2019

Independent Auditor’s report to the Members of SmartSpace Software plc (formerly RedstoneConnect plc)

Our opinion is unmodified

We have audited the financial statements of SmartSpace Software plc (“the Company”) for the year ended 31 January 2019 which comprise the Consolidated statement of comprehensive income, the Consolidated and parent Company statements of financial position, the Consolidated and parent Company statements of cash flows, the Consolidated and parent Company statements of changes in equity and the related notes, including the accounting policies in note 25.

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 January 2019 and of the Group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality:		
group financial statements as a whole		£250k (2018: £480k) 0.8% (2018: 1.0%) of group revenue
Coverage		100% (2018: 100%) of group revenue
Key audit matters		**vs 2018**
Recurring risks	**New:** Revenue recognition – licence revenue	▲
	New: Recognition and measurement of intangible assets	▲
	Recoverability of Parent Company’s investment in subsidiaries	◀ ▶
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit	▲
	New: Valuation of SwipedOn intangible assets	▲
	New: Going concern	▲

Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team . We summarise below the key audit matters in arriving at our audit opinion above. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 20 (Audit Committee Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in Recognition of intangible assets, Recoverability of Parent Company's investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	Our procedures included: We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks; — **Sensitivity analysis:** When addressing, Recognition of intangible assets, Recoverability of Parent Company's investment in subsidiaries and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; and — **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on Recognition of intangible assets, Recoverability of Parent Company's investment in subsidiaries we considered all of the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Key audit matters: our assessment of risks of material misstatement

	The risk	Our response
Recognition of intangible assets (£1,782k, 2018: £1,232k) *Refer to page 20 (Audit Committee Report), note 25(p) on page 83 (accounting policy) and note 9(b) on page 55 (financial disclosures).*	**Forecast-based estimate:** There is a risk that the costs could be incorrectly capitalised i.e. not meeting the criteria of the relevant accounting standards. We identified the recognition as a risk as there is inherent complexity due to the judgements and assumptions that needed to be applied by management in forecasting and discounting the future economic benefits of the development, which limits the costs that can be capitalized. This could lead to an over recognition of development intangibles and an under recognition of development expenses.	Our procedures included: — **Our sector experience:** Evaluated the assumptions used, in particular those relating to discount rates by developing our own estimates; and — **Benchmarking assumptions:** Compared the assumptions in value in use models to externally derived data in relation to key inputs such as discount rates. — **Assessing transparency:** Assessed whether the disclosures relating to the valuation of acquired intangible assets are appropriate.
Revenue recognition – licence revenue *Refer to note 4(c) on page 45 (accounting policy) and note 4(a) on page 43 (financial disclosures).*	**Accounting treatment:** There are a small number of high value contracts each sold with varying contractual terms and conditions that in turn impact the accounting treatment and timing of revenue recognition. Significant judgement is required in selecting and applying the correct accounting treatment, between recognising the right to use licence and hosting revenue as separate performance obligations, or as a combined single obligation. Recognising as a single performance obligation would result in recognition of revenue over time, whereas recognising as separate performance obligations would result in licence revenue, based on the nature of the licence, being recognised at a point in time, and hosting over time. This could materially affect the timing and quantum of revenue and profit recognised in each period.	Our procedures included: — **Accounting analysis:** We assessed the Group's policy in respect of identification of contract elements against the relevant accounting standards; — **Test of Details:** We selected all contracts over set thresholds and inspected key documents including signed contract, delivery of software licences, and the Group's revenue recognition papers to identify revenue elements, and assess the appropriateness of the directors' judgements in determining each separate element of the contract; and — **Assessing Transparency:** We assessed the adequacy of the Group's critical judgement disclosures in respect of licence revenue recognition.

Key audit matters: our assessment of risks of material misstatement

	The risk	Our response
Valuation of Swiped On intangible assets (£716k) *Refer to page 20 (Audit Committee Report), note 25(i) on page 81 (accounting policy) and note 15(a) on pages 67-68 (financial disclosures).*	**Forecast-based valuation:** In October 2018 the group completed the acquisition of New Zealand based Swiped On Limited. We identified the valuation of acquired intangibles of Swiped On Limited as a risk because of the inherent complexity due to the judgements and assumptions that needed to be applied by management in assessing the fair value of the identified intangible assets, and because of the size of the acquisition relative to the group. This could lead to an over or undervaluation of amortisable intangible assets with an opposite effect on non-amortisable goodwill.	Our procedures included: — **Our sector experience:** Evaluated the assumptions used, in particular those relating to discount rates by developing our own estimates; — **Benchmarking assumptions:** Compared the assumptions to externally derived data in relation to key inputs such as discount rates; — **Assessing valuer's credentials:** We performed an evaluation of the competence and independence of the external valuer; — **Sensitivity analysis:** Performed sensitivity analysis on the assumptions noted above; and — **Assessing transparency:** Assessed whether the disclosures relating to the valuation of acquired intangible assets are appropriate.
Recoverability of Parent Company's investment in subsidiaries (£4,894k, 2018: £14,375k) *Refer to page 20 (Audit Committee Report), note 25(j) on page 82 (accounting policy) and note 2(b) on page 94 (financial disclosures).*	**Low risk, high value:** The carrying amount of the parent Company's investments in subsidiaries represents 20% (2018: 86%) of the parent Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: — **Tests of details:** Compared the carrying amount of each investment, representing 100% (2018: 100%) of the total investment balance with the relevant subsidiaries' financial statements to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; and — **Assessing subsidiary audits:** Assessed the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.

Key audit matters: our assessment of risks of material misstatement

	The risk	Our response
Going concern *Refer to page 20 (Audit Committee Report), note 25(a) on page 77 (accounting policy).*	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: — The longevity of developed technologies and their ability to generate future revenues; and — The impact of a disorderly Brexit on the erosion of customer confidence. There are also less predictable but realistic second order impacts, such as the emergence of a highly successful competitor, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: — **Historical comparisons:** Challenging the reasonableness of the assumptions, particularly revenue growth rates by assessing the historical accuracy of the Company's ability to forecast accurately, albeit these was limited track record with a new product, and comparing to previous performance; — **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; and — **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern.

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

Materiality for the Group financial statements as a whole was set at £250k (2018: £480k), determined with reference to a benchmark of group revenue of £31.977k (2018: £47,574k) of which it represents 0.8% (2018: 1.0%). We consider group revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £150k (2018: £360k), determined with reference to a benchmark of company total assets of £24,130k (2018: £16,723k), of which it represents 0.6% (2018: 2.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £12.5k (2018: £24k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's nine (2018: nine) reporting components, we subjected six (2018: six) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

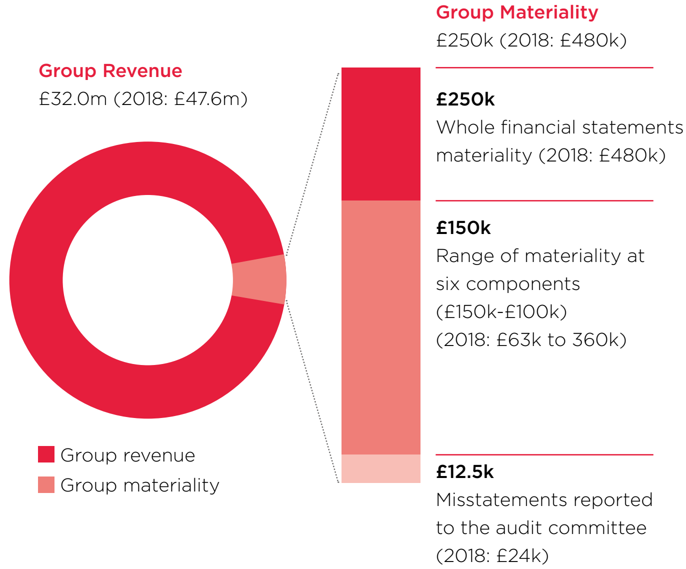
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

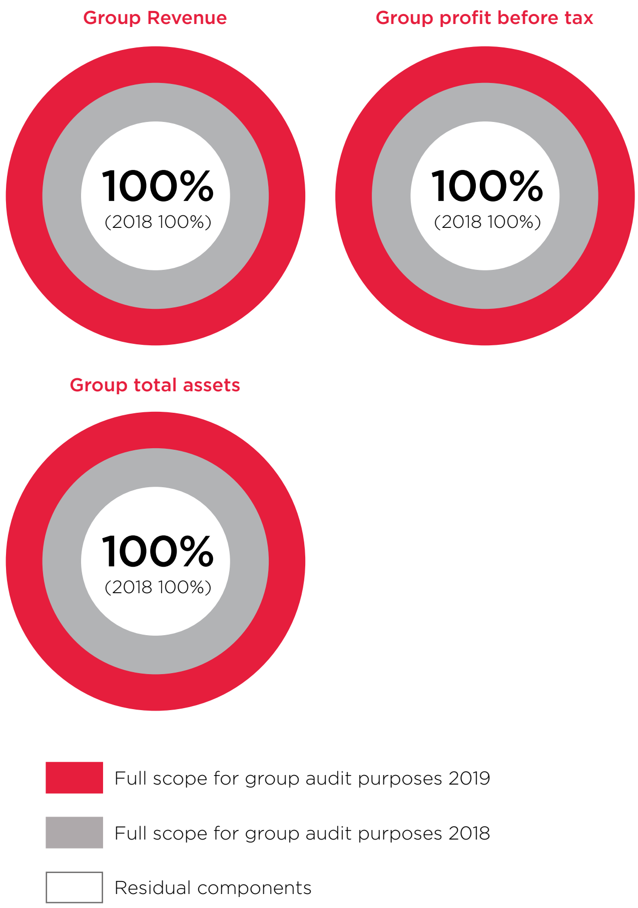
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £150k to £100k (2018: £360k to £63k), having regard to the mix of size and risk profile of the Group across the components.

The work on one of the nine components (2018: none of the 9 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. Telephone conference were held with the component auditor. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Our audit of the parent Company was undertaken to the materiality level specified above and was all performed at the parent Company's head office in Luton.





We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 3 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have anything material to add or draw attention to in relation to the directors' statement in Note 25(a) to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We have nothing to report on the other matters on which we are required to report by exception under the Companies Act 2006, we are required to report to you if, in our opinion:

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 25, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent 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 they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Charlotte Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road, Watford, WD17 1DE
24 May 2019

Consolidated statement of comprehensive income

	Note	2019	2018
		£'000	**£'000**
Continuing operations			
Revenue from contracts with customers	4	**6,307**	6,137
Costs of sale of goods		**(1,848)**	(1,374)
Cost of providing services		**(710)**	(266)
Gross profit		**3,749**	4,497
Administrative expenses		**(7,901)**	(5,118)
Net impairment losses on financial and contract assets		**(30)**	-
Other income		**39**	-
Operating loss		**(4,143)**	(621)
Adjusted EBITDA*		**(2,666)**	213
Reorganisation and transactional items included within administrative expenses	6(e)	**(445)**	(389)
Depreciation	6(a)	**(93)**	(73)
Amortisation	6(a)	**(680)**	(291)
Impairment of intangible assets	6(a)	**(297)**	-
Share based payment charge		**38**	(81)
Operating loss		**(4,143)**	(621)
Finance income	6(d)	**51**	-
Finance costs	6(d)	**(121)**	(120)
Loss before tax		**(4,213)**	(741)
Taxation	7	**1,730**	377
Loss for the year after tax		**(2,483)**	(364)
Profit for the year from discontinued operations	16	**1,884**	1,873
(Loss)/profit for the year	10	**(599)**	1,509
Total comprehensive profit for the year attributable to equity holders		**(599)**	1,509
Other comprehensive income			
Exchange differences on translation of foreign operations		**406**	-
Total comprehensive income		**(193)**	1,509
Basic (loss)/earnings/ per share			
Continuing operations	22	**(11.72p)**	(1.86p)
Discontinued operations	22	**8.89p**	9.55p
Total	22	**(2.83p)**	7.69p
Diluted earnings/(loss) per share			
Continuing operations	22	**(11.72p)**	(1.86p)
Discontinued operations	22	**8.89p**	9.55p
Total		**(2.83p)**	7.69p

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

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	2019	2018
		£'000	**£'000**
ASSETS			
Non-current assets			
Property, plant and equipment	9(a)	**787**	1,614
Intangible assets	9(b)	**11,252**	16,444
Deferred tax assets	9(c)	**733**	34
Contract asset - accrued income	4(b)	**1,560**	-
Total non-current assets		**14,332**	18,092
Current assets			
Inventories	9(d)	**364**	224
Contract asset - accrued income	4(b)	**698**	6,704
Trade receivables and other receivables	8(a)	**2,023**	5,848
Other financial assets at amortised cost	8(b)	**1,557**	-
Prepayments	9(e)	**109**	1,053
Cash and cash equivalents	8(c)	**8,053**	4,423
Total current assets		**12,804**	18,252
Total assets		**27,136**	36,344
LIABILITIES			
Non-current liabilities			
Borrowings	8(e)	**402**	1,588
Long term provisions	9(f)	**5**	141
Total non-current liabilities		**407**	1,729
Current liabilities			
Trade and other payables	8(d)	**2,541**	9,864
Deferred income	4(b)	**754**	731
Borrowings	8(e)	**24**	1,618
Total current liabilities		**3,319**	12,213
Total liabilities		**3,726**	13,942
NET ASSETS		**23,410**	22,402
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	10(a)	**2,216**	2,078
Share premium	10(b)	**1,058**	-
Reverse acquisition reserve	10(b)	**(4,236)**	(4,236)
Translation reserve	10(b)	**406**	-
Share option reserve	10(b)	**128**	433
Retained earnings	10(c)	**23,838**	24,127
Total equity		**23,410**	22,402

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2019.
They were signed on its behalf by:

Bruce Morrison Chief Financial Officer, SmartSpace Software plc, Company Number: 5332126

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Merger Reserve	Share option reserve	Translation reserve	Reverse acquisition reserve	Retained earnings	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 February 2017		**3,687**	**32,589**	**1,911**	**261**	**-**	**(4,236)**	**(19,731)**	**14,481**
Profit for the year		-	-	-	-	-	-	1,509	1,509
Total comprehensive profit for the year		-	-	-	-	-	-	1,509	1,509
Proceeds from shares issued		433	6,067	-	-	-	-	-	6,500
Share issue costs		-	(260)	-	-	-	-	-	(260)
Capital reduction		(2,042)	(38,396)	(1,911)	-	-	-	42,349	-
Employee share schemes – value of employee services	21	-	-	-	172	-	-	-	172
At 31 January 2018		**2,078**	**-**	**-**	**433**	**-**	**(4,236)**	**24,127**	**22,402**
Loss for the year		-	-	-	-	-	-	(599)	(599)
Other comprehensive income for the year		-	-	-	-	406	-	-	406
Total comprehensive income/(loss) for the year		-	-	-	-	406	-	(599)	(193)
Issue of ordinary shares as consideration for a business combination	15	138	1,058	-	-	-	-	-	1,196
Lapsed share options	21	-	-	-	(310)	-	-	310	-
Share-based payment expense - continuing operations	21	-	-	-	(38)	-	-	-	(38)
Share-based payment expense - discontinued operations	21	-	-	-	43	-	-	-	43
At 31 January 2019		**2,216**	**1,058**	**-**	**128**	**406**	**(4,236)**	**23,838**	**23,410**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	2019	2018
		£'000	**£'000**
Cash from operating activities			
Cash generated from operations	11	**(3,469)**	(2,315)
Interest received		**51**	4
Interest paid		**(123)**	(120)
Income taxes paid		-	(54)
Net cash outflow from operating activities		**(3,541)**	(2,485)
Cash flows from investing activities			
Payments for the acquisition of subsidiary (net of cash acquired)	15	**(3,965)**	(1,249)
Payments for property, plant and equipment	9(a)	**(245)**	(395)
Payment of software development costs	9(b)	**(1,872)**	(1,408)
Proceeds from sale of Systems Integration and Managed Services divisions (net of cash disposed)	16	**15,970**	-
Proceeds from sale of property, plant and equipment		**63**	-
Net cash from investing activities		**9,951**	(3,052)
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)		-	6,240
Proceed from borrowing	11(b)	-	1,150
Repayment of borrowings	11(b)	**(1,800)**	(1,605)
Net cashflow from financing activities		**(1,800)**	5,785
Net change in cash and cash equivalents		**4,610**	248
Cash and cash equivalents the beginning of the financial year		**3,443**	3,195
Cash and cash equivalents at end of year	8(c)	**8,053**	3,443

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with maturity of three months or less, as adjusted for any bank overdrafts.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions that happened during the reporting period:

- The sale of the Systems Integration and Managed Services Divisions in June 2018 which realised a significant profit on disposal and cash proceeds (see note 16).
- The acquisition of SwipedOn Limited in October 2018 which resulted in an increase in goodwill and other intangible assets (see note 15)
- The adoption of new accounting standards for financial instruments and revenue from contracts (see note 26).

2. General information

SmartSpace Software plc is a company incorporated in England and Wales under the Companies Act 2006 and listed on the AIM market. The address of the registered office is given on page 16.

The principal activities of the Company and its subsidiaries (the Group) are set out in note 17 and in the strategic report on pages 8 to 14.

The financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 25.

3. Operating segments

3(a) Description of segments and principal activities

The Group's operating board, consisting of the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, examines the Group's performance from both a product and geographical perspective, and has identified two reportable segments of its business:

Software - the sale and support of software in the UK and New Zealand. The operating board monitors the performance in those two regions separately.

Hardware and Systems Integration - the sale of hardware and related integration services in the UK.

Unless otherwise indicated, the segment information reported on the following pages does not include any amounts for discontinued operations, which are described in more detail in note 16.

The operating board primarily uses an adjusted measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. However, the operating board also receives information about the segments revenues and assets on a monthly basis. Information about segment revenue is disclosed in note 4.

3(b) Adjusted EBITDA

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which might have an impact on the quality of earnings, such as reorganisation and transactional costs and impairment of assets. It also excludes the effects of equity-settled share payments.

Interest income and finance costs are not allocated to segments, because this type of activity is driven by the central treasury function which manages the cash position of the Group.

	2019	2018
	£'000	**£'000**
Software		
UK	**(916)**	1,684
New Zealand	**(261)**	-
Hardware and Systems Integration		
UK	**36**	76
Central operating costs	**(1,525)**	(1,547)
Total adjusted EBITDA	**(2,666)**	213

3(c) Reconciliation of adjusted EBITDA to loss before tax

The adjusted EBITDA reconciles tor profit before tax by segment as follows:

Year ended 31 January 2019	Software Division UK	Software Division New Zealand	Hardware and Systems Integration	Central operating costs	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'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 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 payment charge	**(21)**	-	**(6)**	**65**	**38**
Operating loss	**(2,104)**	**(286)**	**(28)**	**(1,725)**	**(4,143)**
Net finance cost	-	-	**(16)**	**(54)**	**(70)**
Loss before taxation	**(2,104)**	**(286)**	**(44)**	**(1,779)**	**(4,213)**

Year ended 31 January 2018					
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue from contracts with customers	4,069	-	2,068	-	6,137
Costs of sale of goods	(30)	-	(1,344)	-	(1,374)
Cost of providing services	(266)	-	-	-	(266)
Gross profit	3,773	-	724	-	4,497
Administrative expenses	(2,569)	-	(702)	(1,847)	(5,118)
Net impairment losses on financial and contract assets	-	-	-	-	-
Other income	-	-	-	-	-
Operating loss	1,204	-	22	(1,847)	(621)
Adjusted EBITDA*	1,684	-	76	(1,547)	213
Reorganisation and transactional items included within administrative expenses	(171)	-	-	(218)	(389)
Depreciation	(24)	-	(39)	(10)	(73)
Amortisation	(276)	-	(15)	-	(291)
Impairment of intangible assets	-	-	-	-	-
Share based payment charge	(9)	-	-	(72)	(81)
Operating loss	1,204	-	22	(1,847)	(621)
Net finance cost	(17)	-	(11)	(92)	(120)
Loss before taxation	1,187	-	11	(1,939)	(741)

3(d) Other profit and loss disclosures

Year ended 31 January 2019	Depreciation and amortisation	Impairment intangible Assets	Income tax expense
	£'000	**£'000**	**£'000**
Software	**705**	**297**	**(720)**
Hardware and systems integration	**58**	-	-
Unallocated items	**10**	-	**(1,010)**
Total	**773**	**297**	**(1,730)**

Year ended 31 January 2018	Depreciation and amortisation	Impairment intangible Assets	Income tax expense
	£'000	**£'000**	**£'000**
Software	299	-	(36)
Hardware and systems integration	54	-	(3)
Unallocated items	10	-	(338)
Total	363	-	(377)

3(e) Segment assets

	2019		2018	
	Segment assets	Additions to non-current assets*	Segment assets	Additions to non-current assets*
	£'000	**£'000**	**£'000**	**£'000**
Software	**14,890**	**1,863**	5,781	1,294
Hardware and Systems Integration	**3,165**	**12**	2,547	18
Segment assets	**18,055**	**1,875**	8,328	1,312
Assets relating to discontinued operations	-	**219**	27,614	438
Unallocated assets	**9,081**	**19**	402	52
Total assets	**27,136**	**2,113**	36,344	1,802

*Other than financial assets and deferred tax assets

For the purpose of monitoring segment performance and allocating resource between segments, the Group's chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of cash held by the Parent Company, other financial assets (except for trade and other receivables) and tax assets. Goodwill has been allocated to reportable segments as described in note 9(b).

The total of non-current assets other than deferred tax assets broken down by location of assets is shown as follows:

	2019	2018
	£'000	**£'000**
UK	**7,693**	18,058
New Zealand	**5,906**	-
Total assets	**13,599**	18,058

3(f) Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

	2019	2018
	£'000	**£'000**
Software	**1,704**	3,037
Hardware and systems integration	**1,635**	1,099
Segment liabilities	**3,339**	4,136
Discontinued operations	-	7,735
Unallocated:	**387**	2,071
Total liabilities	**3,726**	13,942

4. Revenue from contracts with customers

4(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions

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

	Software		Hardware and Systems Integration	
Year ended 31 January 2018	UK	New Zealand	UK	Total
	£'000	**£'000**	**£'000**	**£'000**
Segment revenue	4,069	-	2,068	6,137
Timing of revenue recognition				
At a point in time	3,960	-	1,974	5,934
Over time	109	-	94	203
	4,069	-	2,068	6,137

Revenues from external customers come from the sale of software as a service, the sale of software licences, the sale of professional services and the sale of hardware and systems integration. The revenue from the sale of software as a service and software licences relates to the Group's intellectual property, SwipedOn and SmartSpace.

4(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	31 January 2019	31 January 2018
	£'000	**£'000**
Current contract assets – IT software contracts	**704**	1,543
Current contract assets – IT Infrastructure projects	-	5,161
Loss allowance	**(6)**	-
Total contract assets	**698**	6,704

	31 January 2019	31 January 2018
	£'000	**£'000**
Non-current contract assets relating to software	**1,573**	-
Loss allowance	**(13)**	-
Total contract assets	**1,560**	-

	31 January 2019	31 January 2018
	£'000	**£'000**
Contract liabilities – software agreements	**491**	49
Contract liabilities – hardware	**263**	269
Contract liabilities – IT infrastructure projects	-	413
Total contract liabilities	**754**	731

Significant changes in contract assets and liabilities

Contract assets have increased as the Group has sold more software licences for the income has been recognised but payment is not due.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	2019	2018
	£'000	**£'000**
Revenue recognised from software as a service and support agreements that was included in contract liabilities balance at the beginning of the period	**318**	90

Unsatisfied long-term consulting contracts

The following table shows unsatisfied performance obligations resulting from fixed-price software as a service contracts and software support agreements:

	2019	2018
	£'000	**£'000**
Aggregate amount of the transaction price allocated to software as a service agreements and software support agreements that are partially or fully unsatisfied as at 31 January 2019.	**579**	318

4(c) Accounting policies

The Group has a number of different types of contractual arrangements and consequently applies a variety of methods of revenue recognition, based on the principles set out in IFRS 15 Revenue from Contracts with Customers. The revenue and profit in any period are based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

In determining the amount of revenue and profits to record and related balance sheet items (such as trade receivables, accrued income and deferred income) to recognise in the period, management is required to form a number of key judgements and assumptions.

Revenue is recognised when the performance obligation in a contract has been performed (so 'point in time' recognition) or over time as the performance obligation is transferred to the customer.

For contracts with multiple components to be delivered such as software licences, software support and professional services, management applies judgement to consider whether these promised goods and services are:

- Distinct – to be accounted for as separate performance obligations; or
- not distinct – to be combined with other goods or services until a bundle is created that is distinct; or
- part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

The transaction price, being the amount to which the Group expects to be entitled and has rights to under the contract, is allocated to the identified performance obligations.

For each performance obligation, the Group determines if revenue will be recognised over time or at a point in time. Where the Group recognises revenue over time for long-term contracts, this is in general due to the Group performing and the customer simultaneously receiving and consuming the benefits provided over the life of the contract. For each performance obligation to be recognised over time, the Group applies a revenue recognition method that faithfully depicts the Group's performance in transferring control of the goods or services to the customer. This decision requires assessment of the real nature of the goods or services that the Group has promised to transfer to the customer. The Group applies the relevant output or input method consistently to similar performance obligations in other contracts.

If performance obligations in a contract do not meet the over time criteria, the Group recognises revenue at a point in time (see below for further details).

The Group disaggregates revenue from contracts with customers by contract type, as management believe

this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. Categories are: 'long-term contractual – greater than two years'; and 'short-term contractual – less than two years'. Years are based from service commencement date.

Sale of software as a service

The Group offers its software as a service hosted in the cloud. Under terms of the contract with the customer, they receive the right to access the software for an agreed period of time. A contract liability for the provision of the software as a service is recognised at the time of sale. The management consider that revenue is recognised over time as the service is delivered until the point that the agreement expires.

Revenue invoiced at the end of the reporting period which relates to future periods is classified as deferred income on the statement of financial position.

The software comprises a number of different modules which can be sold as a bundle at the outset or separately if a customer chooses to take a subscription at a later date. Additional modules will continue to be developed and offered as part of the initial product offering or sold separately to existing customers who have not subscribed to that module.

Sale of software licences

The Group sells software licences which allow customers to use the software in their own environment which results in a transfer of control to the customer as a point in time, usually when the software has been installed in the customer's environment and the customer has signed an acceptance to say delivery of the software has taken place.

Revenue is recognised in full at the point of delivery to the customer as the risk and rewards of the licences have transferred at that point to the buyer and the Group does not retain managerial involvement or effective control over the software or the licences.

Sale of professional services

The Group sells professional services comprising project management, implementation, configuration, mapping and support services. These services can be purchased in advance and used by customers when required and revenue is recognised at a point in time when the service has been provided.

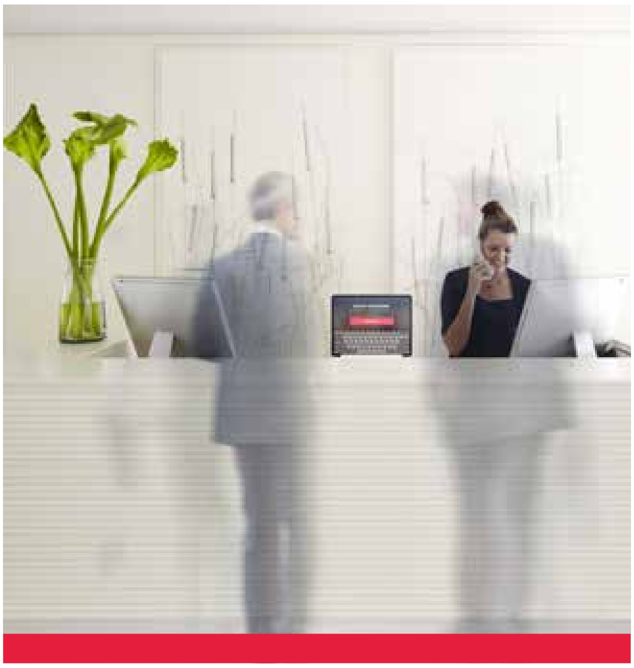
The Group may also sell these services as part of a larger project. In these circumstances, revenue is measured and recognised by reference to the stage of completion of the project at the end of the reporting period.

Hardware and Systems Integration

The Group sells hardware through its Systems Integration division or as part of a contract for software through its software division. Revenue is recognised when the hardware at the point when the performance obligation is fulfilled, usually when the hardware is delivered to the customer. Where installation services are sold alongside the hardware, revenue from those installation services are recognised when those services are delivered.

Deferred and accrued income

The Group's customer contracts include a diverse range of payment schedules dependent upon the nature and type of goods and services being provided. In the case of software as a service contracts or software support agreements, customers may pay in advance for a service to be delivered over time. Other customer contracts may include progress payments for regular monthly, quarterly or annual payments where revenue is recognised at a point of time.



Where payments made are greater than the revenue recognised at the period end date, the Group recognises a deferred income contract liability for this difference. Where payments made are less than the revenue recognised at the period end date, the Group recognises an accrued income contract asset for this difference.

At each reporting date, the Group assesses whether there is any indication that accrued income assets may be impaired by considering whether the revenue remains highly probable that no revenue reversal will occur. Where an indicator of impairment exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4(d) Critical judgement in recognising revenue

The Group has recognised revenue amounting to £899,000 in respect of a software licence which was for a fixed period of time and constituted a legal right to use the software. The software is initially hosted on a private cloud environment provided by the Group with the express permission for the customer to host the software through their own hosting platform without additional contractual penalties or obstructions. As the customer could host the software on its own infrastructure without significant cost management made the judgement that the provision of the licence was distinct from the other performance obligations. It was further concluded that the customer was not entitled to receive any future enhancements or developments in the product and therefore the licence was a right to use the Groups intellectual property rather than a right to access and therefore the licence revenue should be recognised at a point in time.

5. Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately to provide a better understanding of the financial performance of the Group.

	2019	2018
	£'000	**£'000**
Revenue from OEM software contract	-	2,250
Reorganisation and transactional costs	**(445)**	(437)
Impairment of intangible assets	**(297)**	-
Recognition of tax losses as deferred tax assets	**1,495**	-
Profit on disposal of discontinued operations (see note 16)	**2,945**	-
	3,698	(1,813)

5(a) Impairment of intangible assets

In January 2019 the Group took a strategic decision to cease the sale and marketing of its retail software platform, and as a result the intangible asset comprising the net book amount of the internally generated research and development costs on this software platform no longer meets the conditions for capitalisation and the value of the asset has been impaired by £194K. Following the impairment, the value of this asset has been reduced to £nil. The Group will continue to support existing customers who use the retail software platform but all future research and development expenditure on this product will be recognised in profit or loss.

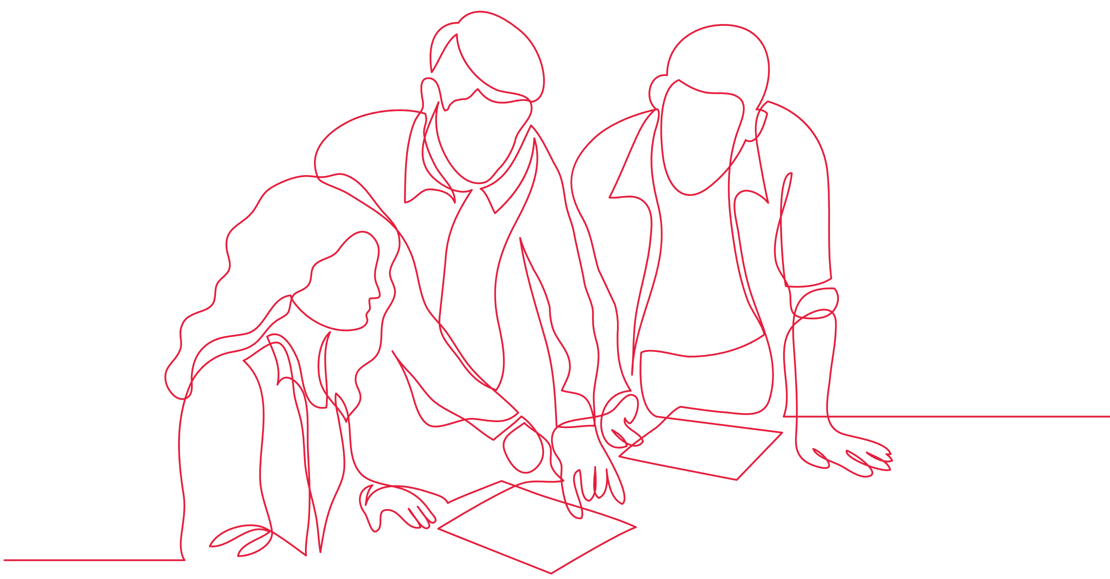
Following the impairment review of intangible assets, the Group identified a further £103K of internally generated development costs where the asset no longer forms part of the Group's software products and the fair value of the asset is £nil.

5(b) Reorganisation and transactional costs

In 2019 the Group undertook a reorganisation following the disposal of the Systems Integration and Managed Services divisions the costs of which, along with the transaction costs of the acquisition of subsidiary are included in reorganisation and transaction costs.

5(c) Recognition of tax losses

Following an improvement in trading conditions in the software business, the Group reviewed previously unrecognised tax losses and determined that it was now probable that taxable profits would be available against which tax losses could be utilised. As a consequence, a deferred tax asset of £1,495K was recognised for these losses in 2019.



6. Other income and expense items

This note includes a breakdown of the items included in 'finance income and costs' and an analysis of expenses by nature. Information about specific profit and loss items is disclosed in the related balance sheet notes.

6(a) Breakdown of expenses by nature

	2019	2018
	£'000	**£'000**
Changes in inventories of finished goods and work in progress		
Raw materials and consumables used	**1,848**	1,346
Employee benefits and expenses	**4,799**	2,838
Depreciation	**93**	73
Amortisation	**680**	291
Impairment of intangible assets	**297**	-
Other expenses	**4,525**	3,442
Less: capitalised employee and contractor costs	**(1,783)**	(1,232)
Total cost of sales, distribution cost and administrative expenses	**10,459**	6,758

6(b) Employee benefits and expenses

	2019	2018
	£'000	**£'000**
Wages and salaries	**4,309**	2,414
Share based payments (see note 21)	**(38)**	81
Social security costs	**410**	280
Pension costs	**118**	63
Total remuneration	**4,799**	2,838

6(c) Average number of people employed

	2019	2018
	No.	**No.**
Sales	**16**	13
Technical support	**38**	35
Administrative	**21**	15
Total employees	**75**	63

6(d) Finance income and cost

	2019	2018
	£'000	**£'000**
Finance income		
Interest income from financial assets held for cash management	**51**	-
Finance income	**51**	-
Finance cost		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit and loss	**(121)**	(120)
Finance costs expenses	**(121)**	(120)
Net finance costs	**(70)**	(120)

6(e) Reorganisation and transactional

	2019	2018
	£'000	**£'000**
Reorganisation costs	**425**	252
Transactional costs	**20**	137
	445	389

The reorganisation costs include both employee and other restructuring costs such as provisions in respect of onerous contracts. Employee costs include salary, redundancy and other exit costs. In 2019, transactional items include the costs involved with the acquisition of SwipedOn Limited, whilst the 2018 transactional items related to acquisition of Anders + Kern (U.K.) Limited, fees in respect of the share placing, share consolidation and capital reduction.

The reorganisation and transactional costs of £445,000 (2018: £444,000) comprises £445,000 from continued operations (2018: £389,000 charge) and £nil from discontinued operations (2018: £55,000).

7. Taxation

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

7(a) Income tax expense

	2019	2018
	£'000	**£'000**
Current tax		
Current tax on profits for the year	**445**	-
Total current tax expense	**445**	-
Deferred tax		
Decrease/(increase) in deferred tax assets	**1,129**	61
Total deferred tax expense/(benefit)	**1,129**	61
Income tax expense	**1,574**	61
Income tax expense is attributable to:		
Profit from continuing operations	**1,730**	(377)
Profit from discontinued operations	**(156)**	438
	1,574	61

7(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2019	2018
	£'000	**£'000**
Profit from continuing operations before income tax expense	**(4,213)**	(741)
Profit from discontinued operations before income tax expense	**2,039**	2,189
	(2,174)	1,448
Tax at the UK corporation tax rate of 19 % (2018: 19.17%)	**(413)**	278
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	**723**	73
Effect of non-taxable income	**(445)**	-
Effect of tax allowances for PP&E	-	(39)
Utilisation of losses in group relief	-	(61)
Effect of different tax rates for loss utilisation	**43**	-
Research and development relief	**(445)**	(224)
Unused tax losses not recognised as assets	**31**	56
Effect of overseas tax rates	**(31)**	-
Adjustment from prior year	**(5)**	-
Utilisation of previously unrecognised tax losses	-	(83)
Recognition of previously unrecognised tax losses	**(1,026)**	(61)
Effect of change in tax rates	**(6)**	-
Income tax expense	**(1,574)**	(61)

7(c) Amounts recognised directly in equity

There are no amounts of tax recognised directly in equity.

7(d) Tax losses

	2019	2018
	£'000	**£'000**
Unused tax losses for which no deferred tax asset has been recognised	**180**	6,839
Potential tax benefit at 17%	**31**	1,162

See note 9(c) for information about recognised tax losses and significant judgements made in relation to them.

7(e) Unrecognised temporary differences

	2019	2018
	£'000	**£'000**
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised: Foreign currency translation	**406**	-
	406	-

Temporary differences of £406,000 (2018: £nil) have arisen as a result of the translation of the Group's subsidiary in New Zealand. However a deferred tax liability has not been recognised, because the liability will only crystallise in the event of the disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

8. Financial assets and liabilities

This note provides information about the Group's financial instruments including:

- An overview of all financial instruments held by the Group;
- specific information about each type of financial instrument;
- accounting policies;
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group has the following financial instruments:

Financial assets	Notes	2019	2018
		£'000	**£'000**
Financial assets at amortised cost:			
Trade receivables	**8(a)**	**2,023**	5,642
Other financial assets at amortised cost	**8(b)**	**1,557**	206
Cash and cash equivalents	**8(c)**	**8,053**	4,423
		11,633	10,271

Financial liabilities	Notes	2019	2018
		£'000	**£'000**
Liabilities at amortised cost:			
Trade and other payables	**8(d)**	**2,541**	9,864
Bank overdrafts	**8(e)**	-	980
Borrowings	**8(e)**	**426**	2,226
		2,967	13,070

The Group's exposure to various risks associated with the financial instruments is discussed in note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

8(a) Trade receivables and other receivables

	2019	2018
	£'000	**£'000**
Trade receivables	**2,023**	5,642
Other receivables	-	206
	2,023	5,848

Classification of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policy and the calculation of the loss allowance are provided in note 13.

Fair value of trade receivables

Due to be the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 13.

8(b) Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Group and includes the contingent consideration on the sale of the Systems Integration and Managed Services divisions (see note 16).

	2019	2018
	£'000	**£'000**
Contingent consideration	**1,000**	-
Tax recoverable on Research & Development tax credits	**445**	-
Other receivables	**112**	206
	1,557	206

Impairment and risk exposure

Note 13 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

8(c) Cash and cash equivalents

	2019	2018
	£'000	**£'000**
Current assets		
Cash at bank and in hand	**8,053**	4,423

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2019	2018
	£'000	**£'000**
Balances as above	**8,053**	4,423
Bank overdrafts (see note 8(e) below)	-	(980)
	8,053	3,443

8(d) Trade and other payables

	2019	2018
	£'000	**£'000**
Current liabilities		
Trade payables	**823**	5,847
Payroll tax and other statutory liabilities	**147**	1,492
Accrued expenses	**1,402**	2,475
Other payables	**169**	50
	2,541	9,864

Trade payable are unsecured and usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

8(e) Borrowings

	2019 Current	2019 Non-Current	2019 Total	2018 Current	2018 Non-Current	2018 Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bank overdrafts	-	-	-	980	-	980
Bank loans	**24**	**402**	**426**	638	1,588	2,226
Total secured borrowings	**24**	**402**	**426**	1,618	1,588	3,206

Secured liabilities and assets pledged as security

The bank loan of £426,000 (2018: £450,000) is secured by a mortgage over the Group's freehold land and buildings.

Other bank loans of £1,776,000 in place at the beginning of the year were secured by a debenture over the assets of the principal operating companies in the Group and cross guarantees. These loans were repaid in full during the year and the security released.

Fair value

For all the borrowings, the fair values are not materially different from their carrying amount since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 13.

9. Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability and information about determining the fair value of assets and liabilities including judgements and estimation uncertainty involved.

9(a) Property, plant and equipment

	Freehold land	Leasehold improvements	Fixtures & fittings	Plant & machinery	Office equipment	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 February 2017						
Cost or fair value	-	589	136	-	1,375	2,100
Accumulated depreciation	-	(243)	(43)	-	(908)	(1,194)
Net book amount	-	346	93	-	467	906
Year ending 31 January 2018						
Opening net book amount	-	346	93	-	467	906
Additions	-	37	5	8	345	395
Acquisition of subsidiary	649	-	11	38	17	715
Depreciation charge	(9)	(124)	(36)	(17)	(216)	(402)
Closing net book amount	640	259	73	29	613	1,614
At 31 January 2018						
Cost or fair value	649	626	143	46	1,737	3,201
Accumulated depreciation	(9)	(367)	(70)	(17)	(1,124)	(1,587)
Net book amount	640	259	73	29	613	1,614
Year ending 31 January 2019						
Opening net book amount	**640**	**259**	**73**	**29**	**613**	**1,614**
Additions	-	**2**	-	-	**243**	**245**
Acquisition of subsidiary	-	-	-	-	**12**	**12**
Disposals	-	-	-	**(10)**	**(39)**	**(49)**
Disposal of subsidiaries	-	**(209)**	**(55)**	-	**(537)**	**(801)**
Depreciation charge	**(14)**	**(52)**	**(15)**	**(12)**	**(141)**	**(234)**
At 31 January 2019	**626**	-	**3**	**7**	**151**	**787**
At 31 January 2019						
Cost or fair value	**649**	-	**10**	**36**	**257**	**952**
Accumulated depreciation	**(23)**	-	**(7)**	**(29)**	**(106)**	**(165)**
At 31 January 2019	**626**	-	**3**	**7**	**151**	**787**

Leased assets

The Group does not currently own any property, plant and equipment which are the subject of finance leases (2018: none).

Non-current assets pledged as security

Refer to note 23 for information on non-current assets pledged as security by the Group.

Depreciation methods and useful lives

Depreciation is provided so as to write off to write off the cost or valuation of assets (other than freehold land) less their estimated residual values over their expected useful economic lives using the straight-line method on the following bases

- Fixtures and fittings 4-5 years
- Plant and machinery 4-5 years
- Office equipment 3-4 years
- Leasehold improvements 5 years
- Freehold land 50 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

See note 25 for the other accounting policies relevant to property, plant and equipment.

9(b) Intangible assets

	Goodwill	Internally generated software	Customer contracts	Brand assets	Intellectual property	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 January 2017						
Cost	18,921	288	2,293	-	1,075	22,577
Accumulated amortisation and impairment	(7,834)	(2)	(91)	-	(341)	(8,268)
Net book amount	11,087	286	2,202	-	734	14,309
Year ended 31 January 2018						
Opening net book amount	11,087	286	2,202	-	734	14,309
Additions	-	1,232	-	-	176	1,408
Acquisition of subsidiary	1,145	-	207	-	-	1,352
Amortisation charge	-	(152)	(244)	-	(229)	(625)
Closing net book amount	12,232	1,366	2,165	-	681	16,444
At 31 January 2018						
Cost	20,066	1,520	2,500	-	1,251	25,337
Accumulated amortisation and impairment	(7,834)	(154)	(335)	-	(570)	(8,893)
Net book amount	12,232	1,366	2,165	-	681	16,444
Year ended 31 January 2019						
Opening net book amount	**12,232**	**1,366**	**2,165**	-	**681**	**16,444**
Additions	-	**1,782**	-	-	**90**	**1,872**
Acquisition of subsidiary	**4,860**	-	-	**291**	**425**	**5,576**
Disposal of subsidiaries	**(10,252)**	-	**(1,422)**	-	**(183)**	**(11,857)**
Exchange differences	**294**	-	-	**16**	**26**	**336**
Impairment	-	**(297)**	-	-	-	**(297)**
Amortisation charge	-	**(514)**	**(143)**	**(9)**	**(156)**	**(822)**
Closing net book amount	**7,134**	**2,337**	**600**	**298**	**883**	**11,252**
At 31 January 2019						
Cost	**7,134**	**3,302**	**812**	**307**	**1,081**	**12,636**
Accumulated amortisation and impairment	-	**(965)**	**(212)**	**(9)**	**(198)**	**(1,384)**
Net book amount	**7,134**	**2,337**	**600**	**298**	**883**	**11,252**

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- Internally generated software 4 years
- Customer contracts 10 years
- Intellectual property 10 years
- Brand asset 10 years

See note 25(p) for the other accounting policies relevant to intangible assets and note 25(j)) for the Group's policy regarding impairments.

Customer contracts

The customer contracts were acquired as part of a business combinations. They are recognised at their fair value at the date of acquisition and they are subsequently amortised on a straight-line basis, based on the timing of projected cash flows of the contracts over their estimated useful lives.

Significant estimate: useful life of the Group's acquired intangible assets

The Group has acquired a number of intangible assets as part of its acquisitions of Connect IB Limited in 2016, Anders & Kern Limited in May 2017 and SwipedOn Limited in October 2018. At 31 January 2019 the carrying amount of these assets was £1,781,000 (2018: £2,846,000). The Group estimates the useful life of the acquired intangibles to be 10 years based on their expectation of the period over which the Group will continue to derive benefit from such assets. However, the actual useful life might be longer or shorter than 10 years depending on customer attrition, technical innovation or competitor actions. If the estimated useful life was only five years, the carrying amount would be £1,363,000 at 31 January 2019.

Impairment tests for goodwill

Goodwill is monitored by management at an entity level.

A segment-level summary of the goodwill is presented below:

		2019			2018	
	UK	New Zealand	Total	UK	New Zealand	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Software	**835**	**5,154**	**5,989**	835	-	835
Hardware and software integration	**1,145**	**-**	**1,145**	1,145	-	1,145
Discontinued operations	-	-	-	10,252	-	10,252
Net book amount	**1,980**	**5,154**	**7,134**	12,232	-	12,232

Goodwill on consolidation has been allocated for impairment testing purposes between the cash-generating units ("CGUs") and these CGU's aligned to the Group's two segments; Software and Hardware and Systems Integration. There are three CGU's, the UK Software division, New Zealand Software division and the Hardware and Software Integration division.

The recoverable amount of the CGU aligned to the UK Software division are based on 'value in use' calculations using cash flow projections approved by the Directors covering a three-year period and a terminal growth rate of 2% thereafter. The projections for the CGU aligned to the UK Software division are based on the assumption that the Group can realise projected sales. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. The Company, in its approach has based its projections on key assumptions of annualised incremental growth in revenue and cost of sales of 2% (2018: 2%) with 2% (2018: 2%) attributed to administrative costs. The calculation of residual value has utilised 2% growth rates (2018: 2%). Sensitivity analysis indicates that if revenues declined by 10% (2018: 10% decline) or administrative expenses increased by 10% (2018: 10% increase), this would not give rise to an impairment charge.

The recoverable amount of the CGU aligned to the New Zealand Software division are division are based on 'value in use' calculations % in using cash flow projections approved by the Directors covering a four-year period with a terminal growth rate of 2% thereafter. The projections for the CGU aligned to the New Zealand Software division are based on the assumption that the Group can realise projected revenue growth of 77% in 2020, 59% in 2021, 46% in 2022 an d23 % in 2024.

If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. If revenue growth is 75% of forecast an impairment of £219,000 would be required. If revenue growth is 50% of projection the goodwill would be impaired in full.

A pre-tax discount rate of 9.8% (2018: 13.6%) has been used for the CGU aligned to the UK Software division and New Zealand Software division. This rate takes into consideration the Group's cost of capital, the expected rate of return and various risks relating to the CGU. At the year end, based on these assumptions there is no indication of impairment in the remaining goodwill. Sensitivity analysis indicates that if the pre-tax discount rate increased by 1% (2018: 1%) this would not give rise to an impairment charge for either CGU.

The projections for the CGU aligned to the Hardware and Software Integration division are based on revenue growth of 5% in years two to five with a gross margin of 31%. The calculation of residual value has utilised growth rates of 2% from year 5 onwards. Sensitivity analysis indicates that If revenue growth was 3% lower than the assumed rate, it would give rise to an impairment of goodwill of £159,000. A change in discount rate to 13% results in an impairment charge.

9(c) Deferred tax balances

Deferred tax assets

	2019	2018
	£'000	**£'000**
The balance comprises temporary differences attributable to:		
Tax losses	**1,412**	617
Contract liabilities	**59**	-
Employee benefits	**24**	-
Total deferred tax assets	**1,495**	617
Set-off of deferred tax liabilities pursuant to set-off provisions	**(762)**	(583)
Net deferred tax assets	**733**	34

The deferred tax assets include an amount of £1,359,000 which relates to carry-forward tax losses of SmartSpace Software plc and SmartSpace Global Limited (formerly Connect IB Limited). The subsidiary has incurred the losses in the last financial year following the decision to focus the Group's activities on software and invest significantly in the SmartSpace software platform. The Group has concluded that the deferred tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to generate taxable income from 2021 onwards. The losses can be carried forward indefinitely.

At the balance sheet date, the Group has unused tax losses of £98,000 (2018; £6,800,000) available for offset against future profits for which no deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available. All the losses may be carried forward indefinitely.

	Share based payments	Contract liabilities	Tax losses	Total
	£'000	**£'000**	**£'000**	**£'000**
At 1 February 2017 and 31 January 2018	-	-	617	617
Charged to profit and loss	24	9	1,412	1,445
Acquisition of subsidiaries	-	47	-	47
Disposal of subsidiaries	-	-	(617)	(617)
Exchange differences	-	3	-	3
At 31 January 2019	**24**	**59**	**1,412**	**1,495**

Deferred tax liabilities

	2019	2018
	£'000	**£'000**
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**44**	50
Intangible assets	**718**	533
Total deferred tax liabilities	**762**	583
Set-off of deferred tax liabilities pursuant to set-off provisions	**(762)**	(583)
Net deferred tax liabilities	-	-

	Accelerated tax depreciation	Total
	£'000	**£'000**
At 1 February 2017	555	555
Charged to profit or loss	(62)	(62)
Acquisition of subsidiary	90	90
At 31 January 2018	583	583
Charged to profit or loss	320	320
Acquisition of subsidiary	136	136
Disposal of subsidiaries	(284)	(284)
Exchange differences	7	7
At 31 January 2019	**762**	**762**

9(d) Inventories

	2019	2018
	£'000	**£'000**
Current assets		
Finished goods – at cost	**364**	224

Inventories recognised as an expense during the ended 31 January 2019 amounted to £1,826,000 (2018: £1,748,000). These were included in cost of sales and the cost of providing other services.

9(e) Other assets

	2019	2018
£'000	**£'000**	
Other current assets		
Prepayments	**109**	1,053

9(f) Provisions

The Group had provisions as follows:

	Dilapidations
	£'000
Balance at 1 February 2018	141
Provisions reversed during the year	(50)
Disposal of subsidiary	(86)
Balance at 31 January 2019	**5**
Current	-
Non-current	**5**
Balance at 31 January 2018	5

10. Equity

10(a) Share capital and share premium

	2019	2018	2019	2018
	Number	**Number**	**£'000**	**£'000**
Allotted, called up and fully paid:				
Ordinary shares of 10p each	**22,157,413**	20,784,795	**2,216**	2,078

Movement in ordinary shares

	Shares issued		Share capital	Share premium	Total
	Number	**Price (p)**	**£'000**	**£'000**	**£'000**
At 31 January 2018	20,784,795		2,078	-	2,078
Shares issued for acquisition	1,372,618	87.10	138	1,058	1,196
At 31 January 2019	**22,157,413**		**2,216**	**1,058**	**3,274**

In October 2018, the Group issued 1,372,618 new ordinary shares as part of the consideration for the acquisition of SwipedOn Limited.

Ordinary shares

Ordinary shares have a par value of 10 pence. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of amounts paid on the shares held.

On a show of hand, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote; and on a poll, each share is entitled to one vote. The Company does not have a limited amount of authorised capital.

Options

Information relating to employee share options including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 21.

10(b) Other reserves

	Merger reserve	Reverse acquisition reserve	Translation reserve	Share option reserve	Total other reserves
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 February 2017	**1,911**	**(4,236)**	**-**	**261**	**(2,064)**
Transactions with owners in their capacity as owners:					
Capital reduction	(1,911)	-	-	-	(1,911)
Share-based payment expense	-	-	-	172	172
At 31 January 2018	**-**	**(4,236)**	**-**	**433**	**(3,803)**
Currency translation differences	-	-	406	-	406
Other comprehensive income	**-**	**-**	**406**	**-**	**406**
Transactions with owners in their capacity as owners:					
Share-based payment expense - continuing operations	-	-	-	(38)	(38)
Share-based payment expense - discontinued operations	-	-	-	43	43
Lapsed share options	-	-	-	(310)	(310)
At 31 January 2019	**-**	**(4,236)**	**406**	**128**	**(3,702)**

Nature and purpose of other reserves

The merger reserve is used when a share issue is undertaken, and merger relief is available. The conditions for merger relief are when the consideration for shares in another company includes issued shares of the acquirer and on completion of the transaction, the company issuing the shares will have secured at least 90% equity holding in the acquiree. Following a capital re-organisation in 2018 this reserve was transferred to accumulated funds.

The reverse acquisition reserve arose on the reverse takeover of SmartSpace Software plc by Coms.com Limited in the year ended 31 January 2007. Under reverse acquisition accounting an adjustment within shareholders' funds is required to eliminate the cost of acquisition in the issuing company's books, and introduce a notional cost of acquiring the smaller issuing company based on the fair value of its shares and an adjustment is required to show the share capital of the legal parent in the consolidated balance sheet rather than that of the deemed acquirer. Both adjustments have been included in the reverse acquisition reserve.

Foreign currency translation comprises exchange difference arising on the translation of foreign controlled entities which are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised; and
- the grant date fair value of options issued under the Employee SAYE scheme.

10(c) Retained earnings

The movements in retained earnings were as follows:

	2019	2018
	£'000	**£'000**
Balance at 1 January	**24,127**	(19,731)
Net profit for the period	**(599)**	1,509
Capital reduction	-	42,349
Lapse of share options	**310**	-
Balance at 31 January	**23,838**	24,127

11. Cash flow information

11(a) Cash generated from operations

	2019	2018
	£'000	**£'000**
Loss before income tax from continuing operations	**(4,213)**	(741)
Adjustments for:		
Depreciation and amortisation	**773**	363
Impairment of intangible assets	**297**	-
Non-cash employee benefit expense – share-based payments	**(38)**	81
Net gain on sale of on-current assets	**(14)**	-
Finance costs - net	**70**	120
Gain on derecognition of contingent consideration payable	**(50)**	-
Net exchange differences	**94**	-
Change in operating assets and liabilities of continuing operations, net of effects from purchase of SwipedOn Limited:		
Movement in trade and other receivables	**(950)**	(386)
Movement in accrued income	**(714)**	(1,027)
Movement in inventories	**(291)**	78
Movement in prepayments	**57**	147
Movement in trade creditors	**987**	(273)
Movement in deferred income	**443**	(175)
Movement in other provisions	**(50)**	(1)
Cash generated from continuing operations	**(3,599)**	(1,814)
Loss before income tax from discontinued operations	**2,039**	2,189
Adjustments for:		
Depreciation and amortisation	**283**	664
Non-cash employee benefit expense – share-based payments	**43**	91
Profit on sale of discontinued operations	**(1,542)**	-
Finance costs - net	**2**	(4)
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)**	(123)
Movement in accrued income	**(4,808)**	(3,503)
Movement in inventories	**(12)**	14
Movement in prepayments	**279**	(2)
Movement in trade creditors	**4,780**	190
Movement in deferred income	**469**	10
Movement in other provisions	**7**	(27)
Cash generated from discontinued operations	**130**	(501)
Cash generated from operations	**(3,469)**	(2,315)

11(b) Net debt reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

	2019	2018
	£'000	**£'000**
Cash and cash equivalents	**8,053**	4,423
Borrowings repayable within one year (including overdraft)	**(24)**	(1,618)
Borrowings repayable after one year	**(402)**	(1,588)
Net cash	**7,627**	1,217
Cash and cash equivalents	**8,053**	4,423
Gross debt – fixed interest rates	**(426)**	(463)
Gross debt – variable interest rates	-	(2,743)
Net cash	**7,627**	1,217

	Cash/bank overdraft	Borrowings due within one year	Borrowings due after one year	Total
	£'000	**£'000**	**£'000**	**£'000**
Net debt at 1 February 2017	(610)	(653)	(1,762)	(3,025)
Cash flows	4,053	15	174	4,242
At 31 January 2018	3,443	(638)	(1,588)	1,217
Cash flows	4,610	614	1,186	6,410
At 31 January 2019	**8,053**	**(24)**	**(402)**	**7,627**

12. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in in other notes, together with information about the basis of calculation for each affected line item in the financial statements.

12(a) Critical estimates

The areas involving critical estimates are:

- recoverability of contingent consideration (see note 13(c))
- estimated useful lives of intangible assets (see note 9(b))
- fair value of goodwill (see note 9(b))
- fair value of acquired intangible asset on the acquisition of SwipedOn Limited (see note 15)
- recognition of deferred tax asset for carried-forward tax losses (see note 9(c));

12(b) Critical judgements

The areas involving critical judgements are:

- recognition of revenue and transaction allocation price (see note (4(d))

13. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

13(a) Derivatives

The Group does not hold any derivative financial instruments.

13(b) Market risk

Foreign currency risk

The Group has a translation exposure on the net investment in its foreign subsidiary which is held in New Zealand dollars and must be translated into sterling at the end of each financial reporting period. Translation exposure remains a non-cash item in balance sheet exposure and other comprehensive income/net equity and has no impact on the profit or loss until the asset is sold. As the Group has no plans to dispose of the asset in the foreseeable future and the exposure is a non-cash item the Board have no plans to hedge this translation exposure.

Cash flow and fair value interest rate risk

The Group's only long-term borrowings which comprise a mortgage with Barclays secured on the Group's freehold land and buildings carry a fixed rate interest rate. The Group currently has no long-term borrowings with variable interest rates.

13(c) Credit risk

Credit risk arises from cash and cash equivalents, cash flows of debt investments carried at amortised cost and credit exposures to customers including outstanding receivables.

Risk management

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

For trade receivables, management focuses strongly on working capital management and the collection of due invoices. Regular reports of overdue invoices are circulated amongst senior management and the Board reviews debtor days each month as part of the monthly reporting cycle. The risk with any one customer is limited by constant review of debtor balances and amounts receivable on contracts and action to resolve any issues preventing discharge of obligations.

As explained in note 16, part of the consideration for the disposal of the Systems Integration and Managed Services Divisions represented a sum of £2.0 million which was retained by the purchaser for working capital purposes and related to a contract asset in respect of a customer contract which was due to be recovered until after the completion of the sale. At 31 January 2019 £1,000,000 has been paid to the Group. The remaining £1 million has been included in other financial assets at amortised cost and is expected to be fully recovered.

Security

The Group does not obtain security for trade receivables.

Impairment of financial assets

The Group has three types of assets that are subject to the credit loss model:

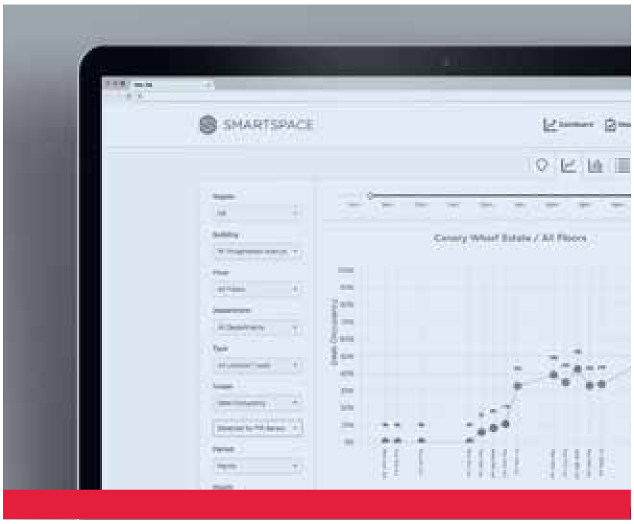
- trade receivables for the sale of software and related services;
- contract assets relating to the software contracts;
- other financial assets carried at amortised cost.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure expected credit losses, trade receivable and contract assets have been group based on share credit risk characteristics and days past due. The contract assets relate to uninvoiced work in progress and software licences with deferred payments terms and have substantially the same risk characteristics as the trade receivables for the same types on contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.



The Group has not applied the loss rates to the trade receivables and contract assets of the discontinued operations at 1 February 2018 as the Group realised full value for these assets when the discontinued operations were disposed of.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 January 2019 or 1 February respectively and the corresponding historical credit losses experienced within this period. On that basis the loss allowance at 31 January 2019 and 1 February 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

31 January 2019	Current	1 -30 days past due	31 – 60 days past due	61 – 90 days past due	91 -180 days past due	181 – 360 days past due	Total
Expect loss rate (%)	**0.2%**	**0.4%**	**1.0%**	**2.5%**	**2.1%**	**8.1%**	**0.7%**
Gross carrying amount – trade receivables (£'000)	**1,427**	**438**	**67**	**7**	**4**	**92**	**2,035**
Gross carrying amount – contract assets (£'000)	**1,450**	**627**	**41**	**10**	**2**	**146**	**2,276**
Loss allowance – trade receivables	**2**	**2**	**-**	**-**	**-**	**7**	**11**
Loss allowance - contract assets	**3**	**3**	**1**	**-**	**-**	**12**	**19**

The closing loss allowances for trade receivables and contract assets as at 31 January 2019 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	2019	2018	2019	2018
	£'000	**£'000**	**£'000**	**£'000**
At 31 January2018 – calculated under IAS 30	-	-	-	-
Amounts restated through opening retained earnings	-	-	-	-
Opening loss allowance as at 1 February 2018 calculated under IFRS 9	-	-	-	-
Increase in loan loss allowance recognised in profit or loss during the year	19	-	12	-
Receivables written off during the year as uncollectible	-	-	-	-
Unused amounts reversed	-	-	-	-
At 31 January 2019	**19**	-	**12**	-

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and the failure to make contracted payments for a period of greater than 120 days due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of previously written off amounts are credited against the same line item.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor would enter bankruptcy or financial reorganisation; and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision where there was no expectation of recovering additional cash.

Other financial assets at amortised cost

Other financial assets at amortised cost comprise contingent consideration and other receivables.

The loss allowance for other financial assets at amortised cost as at 31 January 2018 reconciles to the opening loss allowance on 1 February 2018 and to the closing loss allowance as at 31 January 2019 as follows:

	Contingent consideration	Other receivables	Total
	£'000	**£'000**	**£'000**
At 31 January – calculated under IAS 30			
Amounts restated through opening retained earnings	-	-	-
Opening loss allowance as at 1 February 2018 calculated under IFRS 9	-	-	-
Increase in loan loss allowance recognised in profit or loss during the year	-	-	-
At 31 January	-	-	-

Significant estimate: recoverability of other financial assets at amortised cost

As disclosed in note 16, part of the consideration for the disposal of the Systems Integration and Managed Services division, comprised contingent consideration of £2.0 million which related to a contract asset in respect of a customer contract which was not due to be recovered until after the completion of the sale. As the value of contract asset reduces over time the contingent consideration is repayable to the Group. At 31 January 2019 £1,000,000 has been paid to the Group. The remaining £1,000,000 is payable to the Group when the purchaser has recovered the contract asset from the third party. If the contract asset is not recovered in full, the value of the asset may be impaired. The Directors believe that the full amount of the asset will be recovered, and it has been included in these accounts at its full value.

Net impairment losses on financial and contract assets recognised in profit or loss

During the year the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2019	2018
	£'000	**£'000**
Impairment losses		
- individually impaired receivables (previous accounting policy)	**(20)**	-
- movement in loss allowance for trade receivable and contract assets	**30**	-
Impairment losses on other financial assets	-	-
Net impairment losses on financial and contract assets	**10**	-

13(d) Liquidity risk

Liquidity risk is the risk that the Group cannot meet financial liabilities when they fall due. The Group's policy for managing liquidity risk is to ensure that the business has enough financial resources to carry out its day-to-day activities at any point in time. Management believes that the cash resources on hand, together with the profits of the business, more than cover the resources needed to meet the financial liabilities of the Group.

Maturity of financial liabilities

The tables below analyse all of Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances because the impact of discounting is not significant.

Contractual maturity of financial liabilities At 31 January 2019	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-derivatives	-	-	-	-	-	-	-
Trade payables	**2,541**	-	-	-	-	**2,541**	**2,541**
Borrowings	**12**	**12**	**402**	-	-	**426**	**426**
Total non-derivatives	**2,553**	**12**	**402**	-	-	**2,967**	**2,967**

Contractual maturity of financial liabilities At 31 January 2018	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-derivatives							
Trade payables	9,864	-	-	-	-	9,864	9,864
Borrowings	1,304	314	612	976	-	3,206	3,206
Total non-derivatives	11,168	314	612	976	-	13,070	13,070

14. Capital management

14(a) Risk management

The Group considers its capital to comprise its ordinary share capital, share premium account, other reserves and retained earnings as its capital reserves. A summary of the amounts of capital in each of these categories is shown in the consolidated statement of changes in equity on page 38.

In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives. There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

14(b) Dividends

The Group does not currently pay a dividend.

15. Business combinations

15(a) Summary of acquisition

On 16 October 2018 the Group acquired 100% of the issued share capital of SwipedOn Limited. SwipedOn Limited, based in New Zealand, is a fast growing SaaS business offering a visitor management solution to customers around the world on a monthly subscription. Capable of linking multiple locations with one seamless company overview, the software is able to instantly notify employees of visitor arrivals via email and/or SMS, whilst also custom printing visitor ID badges. SwipedOn is also able to be utilised to monitor employees located in the office.

The acquisition of SwipedOn is in line with the Group's strategy of growing its SaaS revenues, extending its service offering and widening its geographical footprint.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£'000
Purchase consideration (refer to (b) below)	
Cash paid	4,277
Ordinary shares issued	1,196
Total purchase consideration	5,473

The fair value of the 1,372,618 ordinary shares issued as part of the consideration paid for SwipedOn Limited of £1,196,000 was based on the average published share price of the ordinary shares as quoted on AIM for the five days immediately preceding the acquisition of £0.871.

The assets and liabilities assumed recognised as a result of the acquisition are set out in the table below:

	Fair value
	£'000
Intangible assets	716
Property, plant and equipment	12
Trade and other receivables	54
Cash and cash equivalents	312
Trade and other payables	(145)
Deferred income	(247)
Deferred tax liability	(89)
Net identifiable assets acquired	613
Add: Goodwill	4,860
Net assets acquired	5,473

The goodwill of £4,860,000 arising from the acquisition consists of the expertise and experience of the SwipedOn assembled workforce, presence in suitable geographical locations and the availability of a distribution channel through which the Group expects to generate further synergies. None of the goodwill is expected to be deductible for income tax purposes.

Acquired receivables

The fair value of the financial assets including trade receivables with a fair value and gross contractual value of £58,000. The best estimate at acquisition date of the contractual cash flows to be collected was £54,000.

Acquired intangible assets

The intangible assets identified at acquisition comprise intellectual property with a fair value at acquisition of £425,000 and brand with a fair value at acquisition of £291,000.

We have adopted the cost basis for valuing the intellectual property intangible asset which involves estimating the cost of reproducing the asset. We have identified the total historic costs of developing the asset and then discounted the costs incurred up to 2016 by 75% to reflect obsolescence following a major upgrade and applied a much lower discount rate of 5% to the costs incurred since 2017.

In valuing the brand asset we have used the relief-from-royalty method which considers the discounted estimated royalty payments that are expected to be avoided by owning the brand. We have used a royalty rate of 1% which is a prudent estimate towards the lower end of a range of published royalty rates. The discount rate applied is 9.77% which is very close to the Group's weighted average cost of capital and represents what the management consider to a fair return on the intangible assets.

Revenue and profit contribution

The acquired business contributed revenues of £272,000 and net loss after tax of £286,000 to the Group for the period from 15 October 2018 to 31 January 2019.

If the acquisition of SwipedOn Limited had been completed on the first day of the financial year the Group's revenue would have been £6,817,000 and the Group's loss after tax would have been £995,000 for the year. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the Group and the subsidiary; and
- The additional depreciation and amortisation that would have been charged, assuming that the fair value adjustments to property, plant and equipment, and intangible assets had applied from 1 February 2018, together with the consequential tax effects.

15(b) Purchase consideration – cash outflow

	2019	2018
	£'000	**£'000**
Outflow of cash to acquire subsidiary net of cash acquired		
Cash consideration	**4,277**	1,400
Less: balances acquired	**(312)**	(151)
Net outflow of cash – investing activities	**3,965**	1,249

Acquisition-related costs

Acquisition related costs of £25,000 that were not directly attributable to the issue of shares are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows.

16. Discontinued operations

16(a) Financial performance and cash flow information

On 18 June 2018 the Group completed the disposal of 100% of the share capital of Communica Holdings Limited and its 100% subsidiary Redstone Converged Solutions Limited, and Commensus Limited ("the disposal group") and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

16(b) Financial performance and cash flow information

The financial performance and cash flow information are presented from the period from 1 February 2018 to 15 June 2018 (2018 column) and the year ended 31 January 2018:

	2019	2018
	£'000	**£'000**
Revenue	**25,495**	41,437
Expenses	**(24,497)**	(39,248)
Profit before income tax	**498**	2,189
Waiver of intercompany loan to Parent Company	**(1,403)**	-
Profit before tax	**(905)**	2,189
Income tax expense	**(156)**	(316)
Profit after income tax of discontinued operations	**(1,061)**	1,873
Gain on disposal of subsidiary after income tax (see note 16)	**2,945**	-
Net profit attributable to discontinued operations	**1,884**	1,873

	2019	2018
	£'000	**£'000**
Net cash inflow from operating activities	**130**	(501)
Net cash inflow from investing activities (2019 includes an inflow of £15,970,000 from the sale of the division)	**15,751**	(438)
Net cash outflow from financing activities	-	-
Net increase in cash generated by the subsidiaries	**15,881**	(939)

16(c) Details of the sale of subsidiary

	2019	2018
	£'000	**£'000**
Consideration received or receivable		
Cash	**19,600**	-
Contingent consideration	**2,000**	-
Total disposal consideration	**21,600**	-
Carrying amount of net assets sold pre loan waiver-	**(19,357)**	-
Gain on sale before costs	**2,243**	-
Costs incurred on disposal	**(701)**	-
Net gain on disposal	**1,542**	
Waiver of intercompany balance	**1,403**	-
Total gain on disposal	**2,945**	-

As part of the consideration a sum of £2.0 million was retained by the purchaser for working capital purposes and relates to a contract asset in respect of a customer contract which was not due to be recovered until after the completion of the sale. As the value of contract asset reduces over time the contingent consideration is repayable to the Group. In the event that the value of the contract asset exceeds the contingent consideration the Group may be required to provide additional funding to cover the excess of the contract asset over the value of the contingent consideration. At 31 January 2019 no additional working capital has been provided and £1,000,000 has been paid to the Group. The remaining £1 million has been included in other financial assets at amortised cost and is expected to be fully recovered.

The carrying amount of assets and liabilities as at the date of sale (18 June 2018) were:

At 18 June 2018	£'000
Intangible assets	11,857
Property, plant and equipment	801
Inventories	141
Trade and other receivables (including £1.4m intercompany loan)	17,763
Cash and cash equivalents	3,929
Total assets	34,491
Trade and other payables	15,021
Deferred tax liability	113
Total liabilities	15,134
Net assets	19,357

17. Interests in other entities

The Group's subsidiaries at 31 January 2019 are set out below. Unless otherwise stated they have share capital consisting solely of ordinary shares, and the proportion of ownerships interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of interest.

Name	Registered office	Country	Proportion of ownership interest %	Proportion of voting power held %	Principal activity business
SmartSpace Global Limited	Building 250, The Village Butterfield Luton LU2 8DL	UK	100	100	Software
Easter Road Holdings Limited	Building 250, The Village Butterfield Luton LU2 8DL	UK	100	100	Holding company
Anders + Kern (U.K.) Limited	Building 250, The Village Butterfield Luton LU2 8DL	UK	100	100	Infrastructure
SmartSpace USA Incorporated	874 Walker Road, Suite C, Dover, Kent 19904 USA	USA	100	100	Dormant
SmartSpace Software Limited	Level 2. 63 Fort Street, Auckland, New Zealand	New Zealand	100	100	Holding company
SwipedOn Inc	2035 Sunset Lake Rd Suite B-2, Newark New Castle, Delaware USA	USA	100	100	Dormant
SwipedOn Limited	148 Durham Street, Tauranga, New Zealand	New Zealand	100	100	Software

All subsidiary undertakings are included in the consolidation.

18. Commitments

18(a) Capital commitments

There were no capital commitments at 31 January 2019 (2018: £nil).

18(b) Non-cancellable operating leases

The Group leases various offices under non-cancellable operating leases expiring within one to two years. The leases have varying terms, escalation terms and renewal rights. On renewal, the terms of the leases are renegotiated.

	2019	2018
	£'000	**£'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**119**	701
After one year but no more than 5 years	**2**	451
	121	1,152

Rental expense relating to operating leases

	2019	2018
	£'000	**£'000**
Minimum lease payments	**127**	116

19. Events occurring after the end of the reporting period

There are no material events occurring after the end of the reporting period.

20. Related party transactions

20(a) Subsidiaries

Interests in subsidiaries are set out in note 17.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The transactions between the Parent and the subsidiaries during the year represent transfers of cash between the Companies.

20(b) Key management personnel compensation

	2019	2018
	£'000	**£'000**
Short term employment benefits	**911**	680
Post-employment benefits	**14**	47
Long-term benefits	-	-
Termination benefits	**50**	-
Share-based payments	**48**	68
	1,023	795

20(c) Directors

	2019	2018
	£'000	**£'000**
Aggregate emoluments	**911**	680
Aggregate amounts received under long-term incentive schemes	-	-
company contributions to money purchase pension schemes	**15**	47
	926	727

Detailed remuneration disclosures are provided in the Directors' remuneration section in the remuneration report on page 17 to 19.

Directors' fees

Directors fees of £40,000 (2018: £40,000) were charged by Warspite Limited, a company connected to Diana Dyer Bartlett, in respect of services provided by Diana Dyer Bartlett; £nil (2018: £nil) was outstanding at the year end.

Directors fees of £55,000 (2018: £40,000) were charged by VZ Limited, a company connected to Guy van Zwanenberg, in respect of services provided by Guy van Zwanenberg; £nil (2018: £4,299) was outstanding at the year end.

Products and services

During the year the Company made purchases from a related party named Dotmailer Limited. The purchases were made in the normal course of business. Dotmailer Limited is related to the Group by Frank Beechinor-Collins being a member of the key management personal of both companies. The purchases amounted to £4,157 (2018: £16,199). There were no amounts outstanding at the end of the year (2018: £973).

21. Share based payments

The Group operates three equity settled share-based payments plans: an EMI scheme, an Unapproved share scheme and an all employee SAYE scheme. During the year the Group issued options over 1,002,900 ordinary shares under the Group's EMI scheme and options over 353,100 ordinary shares under the Group's Unapproved share scheme and options over 34,147 ordinary shares under the Group's SAYE scheme. (2018: 125,205 under the Group's SAYE scheme).

The EMI and unapproved share option schemes incorporate the same general terms and conditions, with the EMI scheme benefiting from certain tax advantages.

Options are granted under the plans for no consideration and carry no dividend or voting rights. When exercisable each option converts into one ordinary share.

The exercise price of the options is based on the closing price on the day immediately preceding the grant.

21(a) Employee option plans

Set out below are the summaries of options granted under the plans:

	2019 Number	2019 Weighted average exercise price	2018 Number	2018 Weighted average exercise price
Outstanding at start of the year	**1,699,446**	**112p**	1,616,306	110p
Granted during the year	**1,390,147**	**97p**	125,205	127p
Forfeited during the year	**(1,359,120)**	**105p**	(42,065)	127p
Outstanding at end of year	**1,730,473**	**106p**	1,699,446	112p
Exercisable at end of year	**340,000**	**140p**	70,000	440p

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Date granted	Expiry date		Price per share	Share options 31 January 2019	Share options 31 January 2018
12 June 2013	11 June 2023	Warrants	500.00 p	**40,000**	40,000
1 November 2013	31 October 2023	Options	350.00 p	-	25,200
11 December 2015	10 December 2025	Options	92.00 p	**300,000**	1,309,533
1 December 2016	1 July 2026	Options	127.00 p	**24,893**	196,665
1 February 2017	1 September 2027	Options	127.00 p	**15,080**	128,048
31 July 2018	30 July 2028	Options	101.25 p	**440,500**	-
17 October 2018	16 October 2028	Options	94.00 p	**910,000**	-
				1,730,473	1,659,446

The outstanding options at the year-end have an exercise price in the range of 92 pence to 500 pence (2018: 92 pence to 500 pence).

The weighted average remaining contractual life of the share options outstanding at the year end is 6 years and 8 months (2018: 6 years 7 months).

21(b) Fair value of options granted

The assessed fair value of options granted during the year ended 31 January 2019 was 35p for the grant on 31 July 2018 and 31.4p for the grant on 17 October 2018. The fair value at the grant date is determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the share price at the date of grant and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The model inputs for the options granted during the year were:

Model input		
Grant date	31 July 2018	17 October 2018
Option price	101.25p	94.0p
Dividend yield	nil	Nil
Vesting period (years)	3 years	3 years
Assumed volatility at date of grant	50%	49%
Risk-free discount rate	0.86%	0.86%
Expected life of option	3 years	3 years
Fair value per option	35.0p	31.4p
Share price at grant	101.25p	94.0p

The expense recognised for equity-settled share-based payments during the year to 31 January 2019 was £5,000 (2018: £172,000).

22. Earnings per share

22(a) Basic earnings per share

	2019	2018
	Pence	**Pence**
From continuing operations attributable to the ordinary equity holders of the Company	**(11.72p)**	(1.86p)
From discontinued operations	**8.89p**	9.55p
Total basic loss per share attributable to the ordinary equity holders of the Company	**(2.83p)**	7.69p

22(b) Diluted earnings per share

	2019	2018
	Pence	**Pence**
From continuing operations attributable to the ordinary equity holders of the Company	**(11.72p)**	(1.86p)
From discontinued operations	**8.89p**	9.55p
Total diluted loss per share attributable to the ordinary equity holders of the Company	**(2.83p)**	7.69p

22(c) Reconciliation of earnings used in calculating earnings per share

Earnings per share data is based on the group profit/(loss) for the year and the weighted average number of ordinary shares in issue.

	2019	2018
	£'000	**£'000**
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share		
From continuing operations	**(2,483)**	(364)
From discontinued operations	**1,884**	1,873
	(599)	1,509
Diluted earnings per shares		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share		
From continuing operations	**(2,483)**	(364)
From discontinued operations	**1,884**	1,873
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(599)**	1,509

22(d) Weighted average number of shares used as the denominator

	2019	2018
	Number	**Number**
Weighted average number of shares used as the denominator in calculating basic earnings per share	**21,190,940**	19,621,325
Adjustments for calculation of diluted earnings per share		
Options	-	-
Weighted average number of shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**21,190,940**	19,621,325

22(e) Information concerning the classification of securities

Options

Options granted to employees under the Group's share option schemes are considered to be potential ordinary shares. They have been included in the diluted earnings per share to the extent which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 21.

Options which are antidilutive are not included in the calculation of diluted earnings per share for the year ended 31 January 2019. These options could potentially be dilutive in the future.

22(f) Alternative measure of earnings per share

	2019	2018
	£'000	**£'000**
Loss for the year	**(2,483)**	(364)
Adjustment to basic (loss)/earnings:		
Integration and transactional costs	**445**	389
Tax credit on integration and transactional costs	**(85)**	(75)
Amortisation of acquired intangibles	**167**	139
Deferred tax credit on amortisation of acquired intangibles	**(32)**	(27)
Impairment of intangible asset	**297**	-
Deferred tax credit on impairment of intangible asset	**(56)**	-
Share based payment charge	**(38)**	81
Deferred tax credit on share based payment charge	**7**	(16)
Adjusted (loss)/earnings attributable to owners of the Company	**(1,778)**	127
Number of shares	No.	No.
Weighted average ordinary shares in issue	**21,190,940**	19,621,325
Weighted average potential diluted shares in issue	**21,190,940**	19,621,325
Adjusted (loss)/earnings per share		
Basic (loss)/earnings per share	**(8.39p)**	0.65p
Diluted (loss)/earnings per share	**(8.39p)**	0.65p

23. Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2019	2018
	£'000	**£'000**
Non-current		
Freehold land and buildings	**626**	640

24. Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates.

	2019	2018
	£'000	**£'000**
Fees payable to the Company's auditors for the audit of Parent Company and consolidated financial statements	**47**	35
Fees payable to Company's auditors for other services:		
Audit of the financial statements of the Company's subsidiaries	**58**	54
Audit-related assurance services	**8**	8
	113	97

25. Significant accounting policies

25(a) Basis of preparation

Compliance with IFRS

The consolidated financial statements of the SmartSpace Software plc group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

Historical cost convention

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability, if market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis except for share-based payment transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value such as net realisable value in IAS 2 or value in use in IAS 36.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 February 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- Classification and measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual improvements 2014-2016 cycle;

The Group has changed its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 26. None of the other amendments had an impact of the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year end 31 January 2019 and have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations set out below:

Title of standard	IFRS 16, 'Leases'
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees since the distinction between operating and finance lessee is removed. Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low value leases.
Impact	The Group has reviewed all the Group's leasing arrangements over the past year in the light of the new lease accounting rules in IFRS 16. The standard will primarily affect the accounting for the Group's operating leases. As at the reporting date the Group has non-cancellable operating lease commitments of £121,000, see note 18. Of these commitments, approximately £118,000 relate to short-term leases and £3,000 to low value assets which will both be recognised on a straight-line basis as expense in profit or loss. The Group had no lease commitments at the reporting date that would require us to recognise right-of-use assets and lease liabilities and there would therefore be no impact on the Group's financial statements for the year ended 31 January 2019 from the introduction of IFRS 16. The Group does not currently act as a lessor and there is no impact on the financial statements.
Date of adoption by the Group	The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the Group has reported an operating loss of £4,143k for the year to 31 January 2019 (2018: £621k), net cash outflow from operating activities of £3,541k (2018: £2,485k).

Following the disposal of the Systems Integration and Managed Services Divisions, the Group is transforming to become a pure-play software business developed from the SmartSpace platform. This depends on investment in new products and their success in the marketplace. The Directors have prepared forecasts for the group for a period of eighteen months from the date of signing the balance sheet. These forecasts have been stress tested to take into account reasonable changes in trading performance. The assessment considered stress tests, such as reducing forecast revenue growth, and considering the impact of the UK's exit from the European Union, budgeting risk, and the impact of technological change. In particular the Directors have considered the success of the SmartSpace product since its launch shortly before the year-end and the further sales required, compared with the opportunities being worked on with potential customers, for the Group no longer to be in a cash-burn phase. Mitigating actions available to the Group were also considered, such as reduced spend on technological development.

On the basis of this review, the Directors believe that the Group will continue to operate within the resources currently available to it over the forecast period.

Based on the above, the directors believe it remains appropriate to prepare the group and parent company financial statements on the going concern basis.

25(b) Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method is used to account for business combinations by the Group (refer to note 25(i).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised loss are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies for subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets and liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement when applicable, the costs on initial recognition of an investment in an associate or a joint venture.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends receivable or receivable from associates or joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Reverse acquisition accounting

The acquisition of Coms.com Limited in the year ended 31 January 2007 was accounted for as a reverse acquisition of SmartSpace Software plc by Coms.com Limited. The consolidated financial statements prepared following the reverse takeover were issued in the name of SmartSpace Software plc, but they are a continuance of the financial statements of Coms.com Limited. Therefore, the assets and liabilities of Coms.com Limited were recognised and measured in the consolidated financial statements at their pre-combination carrying values. The financial statements reflect the continuance of the financial statements of Coms.com Limited.

The retained earnings and other equity balances recognised in these consolidated financial statements at the time of the acquisition were the retained earnings and other equity balances of Coms.com Limited immediately before the business combination.

Under reverse acquisition accounting:

- an adjustment within shareholders' funds is required to eliminate the cost of acquisition in the issuing company's books, and introduce a notional cost of acquiring the smaller issuing company based on the fair value of its shares
- an adjustment is required to show the share capital of the legal parent in the consolidated balance sheet rather than that of the deemed acquirer.

Both adjustments have been included in the reverse acquisition reserve.

Merger reserve

The merger reserve is used when a share issue is undertaken and merger relief is available. The conditions for merger relief are when the consideration for shares in another company includes issued shares of the acquirer and on completion of the transaction, the company issuing the shares will have secured at least 90% equity holding in the acquiree.

Following a capital re-organisation last year this reserve was transferred to retained earnings.

25(c) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker.

The Board of SmartSpace Software plc has appointed an operating board which assesses the financial performance and position of the Group, and makes strategic decisions. The operating board which has been identified as being the chief operating decision maker, consists of the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer.

25(d) Foreign currency translation

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling which is also the presentation currency for the consolidated and company financial statements. The functional currency of the Company is pounds sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

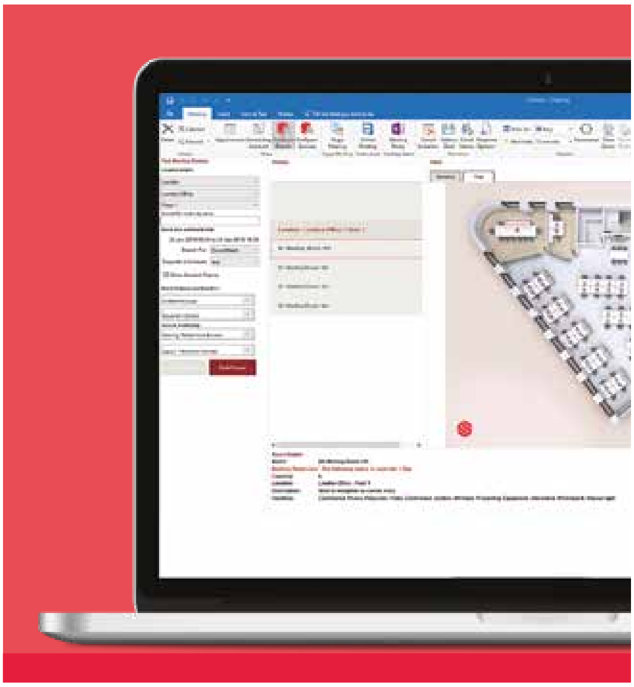
Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis, within 'other gains/losses'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

Results and financial position of foreign operations (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;



- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On translation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

25(e) Revenue recognition

The accounting policies for the Group's revenue from contracts with customers are explained in note 4.

25(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

25(g) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for it if arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that 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 or substantively 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 comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

25(h) Leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are treated as a reduction of the lease obligation on the remaining balance of the liability. Finance expenses are recognised immediately in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement.

25(i) Business combinations

The acquisition method of accounting is used for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of subsidiaries comprises:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement;
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are recognised in profit or loss as incurred.

The excess of the:

- consideration transferred;

- the amount of any non-controlling interest in the acquired entity; and
- the acquisition date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as financial liability are subsequently remeasured to fair value, with changes in value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses realised from such remeasurement are recognised in profit or loss.

25(j) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

25(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

25(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 8(a) for further information about the Group's accounting for trade receivables and note 13(c) for a description of the Group's impairment policies.

25(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

25(n) Financial assets

Classification

From 1 February 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss)
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income.

Measurement

At initial recognition the Group measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 February 2018 the Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 13(c) for further details.

Accounting policies applied until 31 January 2018

The Group has applied IFRS 9 retrospectively but chosen not to restate comparative information. As a result the comparative information continues to be accounted for in accordance with the Group's previous accounting policy.

25(o) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable of the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are disclosed in note 9(a).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying value is assessed annually and any impairment is charged to the income statement.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

An item of property or plant is derecognised upon disposal or when no future economic benefits are expected to arise

from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between sales proceeds and the carrying value of the asset and is recognised in income.

25(p) Intangible assets

Goodwill

Goodwill is measured as described in note 25(i). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicated that it might be impaired, and is carried as cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash- generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note).

Internally generated intangible assets Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally-generated intangible assets arising from the development (or from the development phase on an internal project) are recognised only if all the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;

- the development cost of the asset can be measured reliably;
- an intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset, and
- the availability of adequate technical financial and other resources to complete the development and to use or sell the intangible asset.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Amortisation methods and periods

Refer to note 9(b) for details about amortisation methods and periods used by the Group for intangible assets.

25(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

25(r) Borrowings

Borrowings are initially recognised at their fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees

paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying value of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

25(s) Cost of sale of goods and cost of providing services

Cost of sale of goods represents the cost of hardware together with delivery cost supplied to customers of the Hardware and Systems Integration Division and the Software division.

Cost of providing services represents the cost of providing professional services sucb as implementation, configuration training and project management.

25(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

25(u) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

25(v) Employment benefits

Short- term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to settle within 12 months of the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Post- employment obligations

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions. Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity settled transactions are set out in note 21.

Where share options are awarded to employees, the fair value of the option is calculated at the date of grant and is subsequently charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is measured using an appropriate option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received.

25(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

25(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

25(y) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

25(z) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand pounds sterling unless otherwise stated.

26. Change in accounting policies

This note explains the impact of the adoption of IFRS 9 and IFRS 15 on the Group's financial statements.

26(a) Impact on the financial statements

The Group has not had to restate prior year financial statements as a results of the changes in the entity's accounting policies following the implementation of IFRS 9 and IFRS 15. As explained in note 26(b) below, IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 January 2018 but are recognised in the opening balance sheet on 1 February 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affect by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 January 2018 As originally resented	IFRS15	IFRS 9	1 February 2018 restated
	£'000	**£'000**	**£'000**	**£'000**
Current assets				
Prepayments	-	-	1,053	1,053
Accrued income	-	6,704	-	6,704
Trade and other receivables	13,605	(6,704)	(1,053)	5,848
Total assets	13,605	-	-	13,605
Current liabilities				
Trade and other payables	(10,595)	731	-	(9,864)
Deferred income	-	(731)	-	(731)
Total liabilities	(10,595)	-	-	(10,595)
Net assets	3,010	-	-	3,010

There is no impact on the profit or loss and other comprehensive income.

26(b) IFRS 9

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 February 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 25 above. In accordance with the transitional provisions in paragraphs 7.2.15 and 7.2.16 of IFRS 9, comparative figures have not been restated.

There is no impact on the Group's retained earnings at 1 February 2018.

Classification and measurement

On 1 February 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassification are as follows:

	Trade and other receivables	Prepayments	Amortised cost
	£'000	**£'000**	**£'000**
Closing balance at 31 January 2018 -IAS 39	13,605	-	-
Reclassify prepayments to non-financial assets	(1,053)	1,053	-
Reclassify other receivables	(206)	-	206
Opening balance at 1 February 2018 – IFRS 9	12,346	1,053	206

There is no impact of these changes on the Group's profit or loss or other comprehensive income.

26(b) IFRS 15

The Group has adopted IFRS 15 from 1 February 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in in IFRS 15, the Group has chosen the simplified transition method and elected to apply IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 February 2018 for SmartSpace Software plc).

The following adjustments were made to the amounts recognised in the balance sheet at the date of initial application:

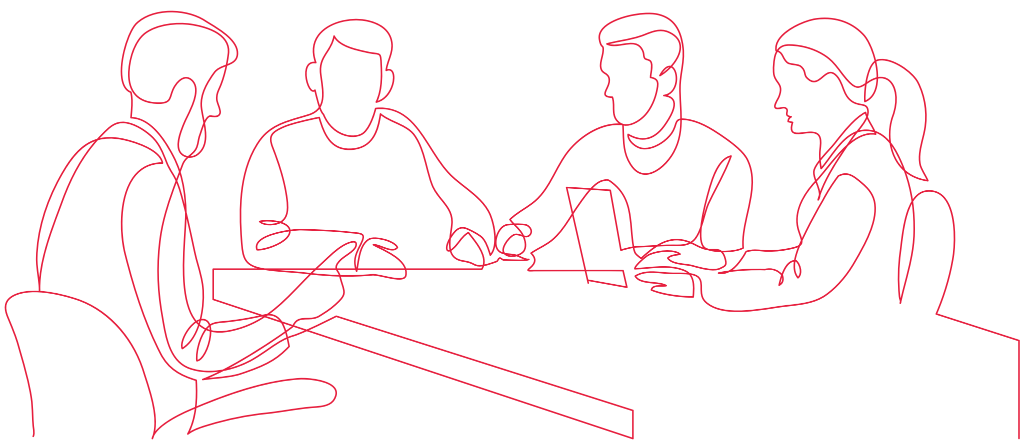
	IAS 18 carrying amount 31 January 2018	Reclassification	IFRS 15 carrying amount 1 February 2018
	£'000	**£'000**	**£'000**
Trade receivables	13,605	(6,704)	6,901
Current contract assets	-	6,704	6,704
Contract liabilities	-	(2,139)	(2,139)
Deferred revenue	(2,139)	2,139	-

There is no impact on the Group's retained earnings at 31 January 2018.

Presentation of assets and liabilities related to contracts with customers

The Group has changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract assets recognised in relation to software licences were previously presented as part of trade and other receivables (£6,704,000 at 31 January 2018.
- Contract liabilities in relation to Software as a service contracts and software support agreements were previously presented as deferred revenue.
- Other current receivables and prepayments were previously presented together with trade receivables, but they are now presented as other financial assets at amortised cost (receivables) and other current assets (prepayments) in the balance sheet to reflect their different nature.



Parent company balance sheet

	Note	2019	2018
		£'000	**£'000**
ASSETS			
Non-current assets			
Investments	2(b)	**4,894**	14,375
Property, plant and equipment	2(a)	**16**	45
Financial assets at amortised cost		**10,163**	-
Deferred tax assets	3	**788**	-
Total non-current assets		**15,861**	14,420
Current assets			
Prepayments		**39**	92
Financial assets at amortised cost	1(a)	**1,008**	-
Other receivables		-	2,182
Cash and cash equivalents		**7,222**	29
Total current assets		**8,269**	2,303
Total assets		**24,130**	16,723
LIABILITIES			
Non-current liabilities			
Borrowings	1(c)	-	1,175
Provisions	2(d)	**5**	55
Total non-current liabilities		**5**	1,230
Current liabilities			
Borrowings	1(c)	-	588
Trade and other payables	1(b)	**390**	2,283
Total current liabilities		**390**	2,871
Total liabilities		**395**	4,101
Net assets		**23,735**	12,622
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	4	**2,216**	2,078
Share premium	4	**1,058**	-
Share option reserve	4	**128**	433
Retained earnings	4	**20,333**	10,111
Total equity		**23,735**	12,622

The accompanying notes are an integral part of these consolidated financial statements.
The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2019.

They were signed on its behalf by:

Bruce Morrison, Chief Financial Officer

Company Number: 5332126

Parent Company statement of changes in equity

	Note	Share capital	Share premium	Merger reserve	Share Option reserve	Retained earnings	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 February 2017		**3,687**	**32,589**	**1,911**	**261**	**(30,199)**	**8,249**
Loss for the year		-	-	-	-	(2,039)	(2,039)
Total comprehensive loss for the year		-	-	-	-	(2,039)	(2,039)
Transactions with the owners:							
Proceeds from shares issued		433	6,067	-	-	-	6,500
Share issue costs		-	(260)	-	-	-	(260)
Capital reduction		(2,042)	(38,396)	(1,911)	-	42,349	-
Share based payment charge		-	-	-	172	-	172
At 31 January 2018		2,078	-	-	433	10,111	12,622
Profit for the year		**-**	**-**	**-**	**-**	**9,912**	**9,912**
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**9,912**	**9,912**
Transactions with the owners:							
Proceeds from shares issued	**2(b)**	**138**	**1,058**	**-**	**-**	**-**	**1,196**
Lapse of share options		**-**	**-**	**-**	**(310)**	**310**	**-**
Share based payment charge		**-**	**-**	**-**	**5**	**-**	**5**
At 31 January 2019		**2,216**	**1,058**	**-**	**128**	**20,333**	**23,735**

The accompanying notes are an integral part of these consolidated financial statements.

Parent company statement of cash flows

	Note	2019	2018
		£'000	**£'000**
Cash flows from operating activities			
Cash generated from operations	5	**(8,800)**	(3,427)
Interest received		**110**	-
Net cash outflow from operating activities		**(8,690)**	(3,427)
Cash flows from investing activities			
Payment for the acquisition of subsidiary		**(2,167)**	(1,400)
Payment for property, plant and equipment		**(19)**	(52)
Proceeds from sale of property, plant and equipment		**39**	-
Proceeds from disposal of subsidiary		**19,899**	-
Net cash used in investing activities		**17,752**	(1,452)
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)		-	6,240
Loan drawn		-	-
Repayment of borrowings		**(1,763)**	(588)
Net finance costs		**(106)**	(105)
Net cash generated from financing activities		**(1,869)**	5,547
Net increase in cash and cash equivalents		**7,193**	668
Cash and cash equivalents at start of year		**29**	(639)
Cash and cash equivalents at end of year		**7,222**	29

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the parent company financial statements

1. Financial assets and financial liabilities

This note provides information about the Company's financial instruments including:

- an overview of all financial instruments held by the Company;
- specific information about each type of financial instrument;
- accounting policies;
- and information about determining the fair value of the instruments including judgements and estimation uncertainty involved.

The Company holds the following financial instruments:

Financial assets	2019	2018
	£'000	**£'000**
Financial assets at amortised cost:		
Financial assets at amortised cost	**11,171**	2,182
Cash and cash equivalents	**7,222**	29
	18,393	2,211

Financial liabilities	2019	2018
	£'000	**£'000**
Liabilities at amortised cost:		
Trade and other payables	**390**	2,283
Borrowings	-	1,763
	390	4,046

The Company's exposure to various risks associated with the financial instruments is discussed in note 7. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

1(a) Financial assets at amortised cost (2018: trade and other receivables)

Classifications of financial assets at amortised cost

The Company classifies its financial assets at amortised cost only if both the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following debt investments:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loan to subsidiary	-	**3,840**	**3,840**	-	-	-
Intercompany balances	-	**6,323**	**6,323**	1,938	-	1,938
Other financial assets at amortised cost	**1,008**	-	**1,008**	-	-	-
Other receivables	-	-	-	244	-	244
	1,008	-	**11,171**	2,182	-	2,182

See note 12 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financials assets and note 11 for the remaining relevant accounting policies.

Loan to subsidiary

In 2018 the Company issued a loan to its subsidiary SmartSpace Software Limited. The loan is unsecured and repayable at 90 days' notice. Interest accrues daily at the New Zealand 90 day bank bill rate plus the NZ Inland Revenue's then safe harbour margin for small value related party loans provided the loan remains below $10mllion. If the balance on the loan exceeds $10m the parties will agree an appropriate interest rate at the time. Fair value of the loan to subsidy is the amortised cost.

Further information relating to loans to related parties is set out in note 9.

Intercompany balances

The intercompany balances arise from services and funding provided to or from subsidiary companies, are interest free and repayable on demand. Fair value of the intercompany balances is the amortised cost.

Impairment and risk exposure

Note 7 sets out information about the impairment of financial assets and the Company's exposure to credit risk.

Part of the loans to subsidiaries is denominated in New Zealand dollars. As a result, the Company has an exposure to foreign currency risk when to loan is repaid.

Amounts due from related parties

The amounts due from related parties comprise intercompany balances with subsidiary companies and are unsecured, interest free and repayable on demand.

Other financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company and include the contingent consideration.

1(b) Trade and other payables

	Notes	2019	2018
		£'000	**£'000**
Current liabilities			
Trade payables		**16**	185
Amounts due to related parties		-	1,863
Payroll taxes and other statutory liabilities		**28**	36
Accrued expenses		**341**	199
Other payables		**5**	-
		390	2,283

The carrying amounts of trade and other payables are considered to be the same as their fair values.

1(c) Borrowings

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Bank loan	-	-	-	588	1,175	1,763

The bank loan of £1,776,000 in place at the beginning of the year was secured by a debenture over the assets of the principal operating companies in the Group and cross guarantees. These loans were repaid in full during the year and the security released.

2. Non-financial assets and liabilities

This note provides information about the Company's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability and information about determining the fair value of assets and liabilities including judgements and estimation uncertainty involved.

2(a) Property, plant and equipment

	Office equipment
	£'000
At 1 February 2017	
Cost or fair value	4
Accumulated depreciation	(1)
Net book amount	3
Year ending 31 January 2018	
Opening net book amount	3
Additions	52
Depreciation charge	(10)
Closing net book amount	45
At 31 January 2018	
Cost or fair value	56
Accumulated depreciation	(11)
Net book amount	45
Year ending 31 January 2019	
Opening net book amount	**45**
Additions	**19**
Disposals	**(39)**
Depreciation charge	**(9)**
At 31 January 2019	**16**
At 31 January 2019	
Cost or fair value	**23**
Accumulated depreciation	**(7)**
At 31 January 2019	**16**

Depreciation is provided so as to write off to write off the cost or valuation of assets less their estimated residual values over their expected useful economic lives using the straight line method on the following bases

- Office equipment 3-4 years

2(b) Investment in subsidiaries

	2019	2018
	£'000	**£'000**
Shares in group undertakings		
Balance at 1 February	**14,375**	12,975
Additions in year – acquisition of Anders & Kern Limited	-	1,400
Additions in year – investment in Smartwpace Software Limited	**2,167**	-
Disposals in year – disposal of Redstone Converged Solutions Limited	**(9,248)**	-
Disposals in year – disposal of Commensus Limited	**(2,400)**	-
Balance at 31 January	**4,894**	14,375

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

Investment in SmartSpace Software Limited

On 16 October 2018, the Company invested £2,167,000 in subscribing for ordinary shares in SmartSpace Software Limited which was used to fund the acquisition of SwipedOn Limited.

Disposal of Redstone Converged Solutions Limited and Commensus Limited

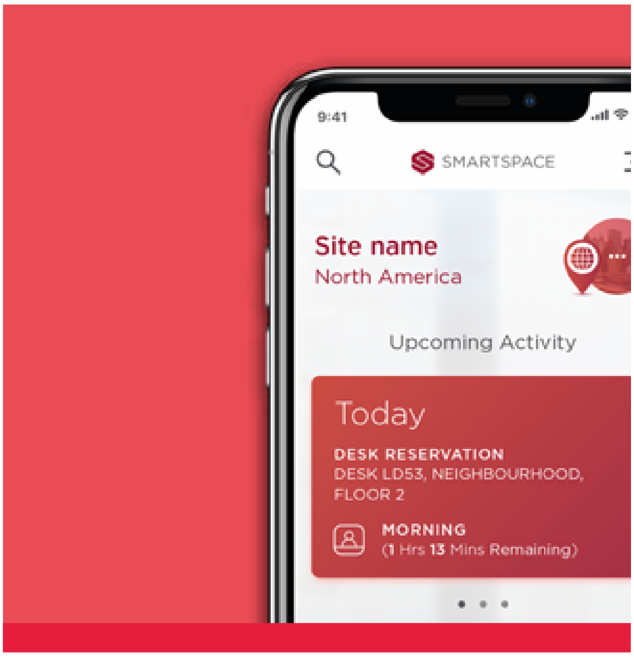
On 18 June 2018 the Company disposed of its investment in Redstone Converged Solutions Limited for a cash consideration of £19,600,000, contingent consideration of £2,000,000 plus the waiver of an intercompany loan of £1,375,000 less costs of £701,000. The carrying value of the investments immediately prior to disposal was £11,648,000 resulting in a gain on sale of £10,626,000.

For a breakdown of the consolidation and details of the contingent consideration, refer to note 16 to the consolidated financial statements.

2(c) Provisions

The Company had provisions as follows:

	Dilapidations
	£'000
Balance at 1 February 2018	55
Provisions reversed during the year	(50)
Balance at 31 January 2019	**5**
Current	-
Non-current	**5**
Balance at 31 January 2018	5



3. Deferred tax

3(a) Deferred tax assets

	2019	2018
	£'000	**£'000**
The balance comprises temporary differences attributable to:		
Tax losses	**764**	-
Employee benefits	**24**	-
Deferred tax assets	**788**	-

Movements	Share based payments	Tax losses	Total
	£'000	**£'000**	**£'000**
At 1 February 2017 and 31 January 2018	-	-	-
Charged to profit and loss	24	764	788
At 31 January 2019	**24**	**764**	**788**

4. Equity

4(a) Share capital and share premium

	2019	2018	2019	2018
	Number	**Number**	**£'000**	**£'000**
Allotted, called up and fully paid:				
Ordinary shares of 10p each	**22,157,413**	20,784,795	**2,216**	2,078

Movement in ordinary shares

	Shares issued		Share capital	Share premium	Total
	Number	**Price (p)**	**£'000**	**£'000**	**£'000**
At 31 January 2018	20,784,795		2,078	-	2,078
Shares issued for acquisition	1,372,618	87.1	138	1,058	1,196
At 31 January 2019	**22,157,413**		**2,216**	**1,058**	**3,274**

Full details of the ordinary shares including movements during the current and prior years, are included in note 10(a) to the consolidated accounts.

4(b) Other reserves

	Merger reserve reserve	Share option reserves	Total other reserves
	£'000	**£'000**	**£'000**
At 1 February 2017	1,911	261	2,172
Transactions with owners in their capacity as owners:			
Capital reduction	(1,911)	-	(1,911)
Share-based payment expense	-	172	172
At 31 January 2018	-	433	433
Currency translation differences	-	-	-
Other comprehensive income	-	-	-
Transactions with owners in their capacity as owners:			
Share-based payment expense	-	5	5
Lapsed share options	-	(310)	(310)
At 31 January 2019	-	**128**	**128**

Nature and purpose of other reserves

The merger reserve is used when a share issue is undertaken and merger relief is available. The conditions for merger relief are when the consideration for shares in another company includes issued shares of the acquirer and on completion of the transaction, the Company issuing the shares will have secured at least 90% equity holding in the acquiree. Following a capital re-organisation in 2018 this reserve was transferred to accumulated funds.

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of options issued under the Employee SAYE scheme.

4(c) Retained earnings

The movements in retained earnings were as follows:

	2019	2018
	£'000	**£'000**
Balance at 1 January	**10,111**	(30,199)
Net profit for the period	**9,912**	(2,039)
Capital reduction	-	42,349
Lapse of share options	**310**	-
Balance at 31 January	**20,333**	10,111

5. Cash flow information

5(a) Cash generated from operations

	2019	2018
	£'000	**£'000**
Profit before income tax	**9,158**	(1,939)
Adjustments for:		
Depreciation	**9**	10
Non-cash employee benefit expense – share-based payments	**(28)**	72
Gain on disposal of subsidiary	**(10,626)**	-
Gain on remeasurement of contingent consideration	**(50)**	-
Finance costs - net	**(4)**	105
Change in operating assets and liabilities:		
Movement in financial assets at amortised cost	**(7,281)**	(878)
Movement in other operating assets	**53**	167
Movement in trade payables	**19**	(74)
Movement in other operating liabilities	-	(890)
Movement in provisions	**(50)**	-
Cash used in operations	**(8,800)**	(3,427)

5(b) Net debt reconciliation

This section sets out an analysis of net cash and the movements in net cash for each of the periods presented.

	2019	2018
	£'000	**£'000**
Cash and cash equivalents	**7,222**	29
Borrowings repayable within one year	-	(588)
Borrowings repayable after one year	-	(1,175)
Net cash	**7,222**	(1,734)
Cash and cash equivalents	**7,222**	29
Gross debt – fixed interest rates	-	(1,763)
Net cash	**7,222**	(1,734)

	Cash/bank overdraft	Borrowings due within one year	Borrowings due after one year	Total
	£'000	**£'000**	**£'000**	**£'000**
Net cash at 1 February 2017	(639)	(588)	(1,762)	(2,989)
Cash flows	668	-	587	1,255
At 31 January 2018	29	(588)	(1,175)	(1,734)
Cash flows	7,193	588	1,175	8,956
At 31 January 2019	**7,222**	-	-	**7,222**

6. Employee information

6(a) Employee benefits expense

	2019	2018
	£'000	**£'000**
Wages and salaries	**816**	953
Share based payments (see note 32)	**(66)**	72
Social security costs	**72**	119
Pension costs	**20**	34
Total remuneration	**842**	1,178

6(b) Average number of people employed

	2019	2018
	No.	**No.**
Administration	**7**	8
Total employees	**7**	8

7. Financial risk management

The Company's exposure to financial risks is managed as part of the Group. Full details about how the Group's exposure to financial risks and how these risks could affect the Group's future financial performance are given in note 13 to the consolidated financial statements. Information specific to the Company is given below:

7(a) Credit risk

Credit risk arises from cash balances and contractual cash flows of debt investments and other receivables carried at amortised cost.

Risk management

Credit risk is managed on a Group basis. For banks and institutions only independently rated parties with a minimum rating of 'A; are accepted.

Impairment of loan to subsidiary

The loan to subsidiary is considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' to be when they have a low risk of default and the issue has a strong capacity to meet its contractual cash flow obligations in the near term.

Balances due from related companies

The Company provides funding to it UK subsidiaries through short term intercompany receivables. The loans are unsecured and interest free. Management consider 'low credit risk' to be when they have a low risk of default and the issue has a strong capacity to meet its contractual cash flow obligations in the near term.

Other financial assets at amortised cost

As disclosed in note 16 to the consolidated financial statements, part of the consideration for the disposal of the Systems Integration and Managed Services divisions, comprised contingent consideration of £2.0 million which related to a contract asset in respect of a customer contract which was not due to be recovered until after the completion of the sale. As the value of contract asset reduces over time the contingent consideration is repayable to the Company. At 31 January 2019 £1,000,000 has been paid to the Company. The remaining £1,000,000 is payable to the Company when the purchaser has recovered the contract asset from the third party. If the contract asset is not recovered in full, the value of the asset may be impaired. The Directors believe that the full amount of the asset will be recovered and it has been included in these accounts at its full value

7(b) Liquidity risk

Management monitors rolling forecasts of the Company's cash balance on the basis of expected cash flows.

Maturity of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groups based on their contractual maturities.

The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturity of financial liabilities At 31 January 2019	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-derivatives	-	-	-	-	-	-	-
Trade and other payables	**357**	-	-	-	-	**357**	**357**
Borrowings	-	-	-	-	-	-	-
Contingent consideration	-	-	-	-	-	-	-
Total non-derivatives	**357**	-	-	-	-	**357**	**357**

Contractual maturity of financial liabilities At 31 January 2018	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non-derivatives							
Trade and other payables	2,247	-	-	-	-	2,247	2,247
Borrowings	294	294	587	587	-	1,762	1,762
Contingent consideration	50	-	-	-	-	50	50
Total non-derivatives	2,591	294	587	587	-	4,059	4,059

8. Capital management

The capital of the Company is managed as part of the capital of the Group as a whole. Full details are contained in note 13 to the consolidated financial statements.

9. Related party transactions

9(a) Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	£'000	**£'000**
Sales and purchases of services		
Provision of services to subsidiary undertakings	**652**	825
Purchase of services from subsidiary undertakings	**51**	530
Other transactions		
Subscription for new ordinary shares by UK parent entity	**1,196**	-

9(b) Outstanding balances arising from sales/purchases of services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2019	2018
	£'000	**£'000**
Current receivables (provision of services)		
Subsidiary undertakings	**6,323**	1,937
Current liabilities		
Subsidiary undertakings	-	1,863

9(c) Loans to subsidiary undertaking

	2019	2018
	£'000	**£'000**
Loan to SmartSpace Software Limited		
At 1 January	-	-
Cash advanced	**2,586**	-
Subscription for shares	**1,196**	-
Interest charged	**58**	-
At 31 December	**3,840**	-

No loss allowance was recognised in expense.

9(d) Terms and conditions

The loan to SmartSpace Software Limited is unsecured and repayable at 90 days' notice. Interest accrues daily at the New Zealand 90 day bank bill rate plus the NZ Inland Revenue's then safe harbour margin for small value related party loans provided the loan remains below $10mllion. If the balance on the loan exceeds $10m the parties will agree an appropriate interest rate at the time.

10. Information included in the notes to the consolidated financial statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the Company. Please to the following:

Note 17	-	Subsidiaries
Note 19	-	Events occurring after the period end
Note 20(b)	-	Key management personnel
Note 20(c)	-	Directors
Note 21	-	Share-based payments
Note 24	-	Auditors' remuneration

11. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other note above. These policies have been consistently applied to all the years presented, unless otherwise stated.

11(a) Basis of preparation

Compliance with IFRS

The financial statements of SmartSpace Software plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

Historical cost convention

The financial statements have been prepared under the historical cost convention except for contingent consideration payable which is measured at fair value.

New and amended standards adopted by the Group

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 February 2018:

- IFRS 9, 'Financial Instruments';
- Classification and measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual improvements 2014-2016 cycle;

The Company has changed its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. This is disclosed in note 12. None of the other amendments had an impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year end 31 January 2019 and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Going concern

The ability of the Parent Company to continue as a going concern is contingent upon the ongoing viability of the Group.

The financial statements for the Group and the Parent Company are prepared on a going concern basis notwithstanding that the Group has reported an operating loss of £4,143k for the year to 31 January 2019 (2018: £621k), net cash outflow from operating activities of £3,541k (2018: £2,485k).

Following the disposal of the Systems Integration and Managed Services Divisions, the Group is transforming to become a pure-play software business developed from the SmartSpace platform. This depends on investment in new products and their success in the marketplace. The Directors have prepared forecasts for the group for a period of eighteen months from the date of signing the balance sheet. These forecasts have been stress tested to take into account reasonable changes in trading performance. The assessment considered stress tests, such as reducing forecast revenue growth, and considering the impact of the UK's exit from the European Union, budgeting risk, and the impact of technological change. In particular the Directors have considered the success of the SmartSpace product since its launch shortly before the year-end and the further sales required, compared with the opportunities being worked on with potential customers, for the Group no longer to be in a cash-burn phase. Mitigating actions available to the Group were also considered, such as reduced spend on technological development.

On the basis of this review, the Directors believe that the Group and the Parent Company will continue to operate within the resources currently available to it over the forecast period.

Based on the above, the Directors believe it remains appropriate to prepare the Group and Parent company Financial statements on the going concern basis.

11(b) Investment in subsidiaries

Investment in subsidiaries are held at cost less accumulated impairment losses.

11(c) Functional and presentation currency

The financial statements are prepared in pounds sterling which is the Company's functional and presentation currency. All transactions undertaken by the Company are denominated in pounds sterling other than the loan to SmartSpace Software Limited which is denominated in New Zealand dollars.

11(d) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the UK. Management periodically evaluates positions taken in tax returns with respect to

situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

11(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and short term equivalents includes cash on hand, deposit held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

11(f)Financial assets

Classification

From 1 February 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss)
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in other comprehensive income.

Measurement

At initial recognition the Company measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 February 2018 the Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Accounting policies applied until 31 January 2018

The Company has applied IFRS 9 retrospectively but chosen not to restate comparative information. As a result the comparative information continues to be accounted for in accordance with the Company's previous accounting policy.

11(g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable of the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Company are disclosed in note 2(a).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying value is assessed annually and any impairment is charged to the income statement.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

An item of property or plant is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between sales proceeds and the carrying value of the asset and is recognised in income.

11(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured as amortised cost using the effective interest method.

11(i) Borrowings

Borrowings are initially recognised at their fair value, net if transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying value of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

11(j) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

11(k) Employment benefits

Short- term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to settle within 12 months of the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Post- employment obligations

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions. Payments to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. The Company has no further payment obligations once the contributions have been paid.

Share-based payments

Equity-settled share-based payments to employees and other providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity settled transactions are set out in note 21 to the consolidated financial statements.

Where share options are awarded to employees, the fair value of the option is calculated at the date of grant and is subsequently charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is measured using an appropriate option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received.

11(l) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax from the proceeds.

11(m) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

11(n) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand pounds sterling unless otherwise stated.

12. Change in accounting policies

This note explains the impact of the adoption of IFRS 9 on the Company's financial statements.

12(a) Impact of IFRS 9 on the financial statements

The Company has not had to restate prior year financial statements as a results of the changes in the entity's accounting policies following the implementation of IFRS 9. As explained in note 26(b) below, IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 January 2018 but are recognised in the opening balance sheet on 1 February 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affect by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	31 January 2018 As originally presented	IFRS 9	February 2018 restated
	£'000	**£'000**	**£'000**
Current assets			
Prepayments	-	92	92
Trade and other receivables	2,274	(2,274)	-
financial assets at amortised cost	-	2,182	2,182
Total assets	2,274	-	2,274
Current liabilities			
Trade and other payables	2,283	-	2,283
Total liabilities	2,283	-	2,283
Net assets	(9)	-	(9)

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 February 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 11(f) above. In accordance with the transitional provisions in paragraphs 7.2.15 and 7.2.16 of IFRS 9, comparative figures have not been restated.

Classification and measurement

On 1 February 2018 (the date if initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from the reclassification are in 12(a) above. There is no impact of these changes on the Company's profit or loss or other comprehensive income.

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