16 October 2018

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

SmartSpace Software Plc
("SmartSpace", the "Group" or the "Company")

Interim Results for the Six Months Ended 31 July 2018

SmartSpace (AIM: SMRT), the leading provider of 'Workspace Management Software' for smart buildings, commercial spaces and the hospitality sector announces its unaudited interim results for the six months ended 31 July 2018.

The interim results reflect the disposal of the Systems Integration and Managed Services divisions for £21.6m in cash in mid-June 2018 and are based on the continuing operations of the 'Connect' software and 'OneSpace' occupancy management software platforms and A+K's distribution business.

Financial Highlights:

- Revenue from continuing operations of £1.9 million (FY18 H1: £2.1 million)
- Adjusted LBITDA* £1.9 million (FY18 H1 LBITDA: £0.2 million)
- Profit before tax from continuing operations of £0.6 million (FY18 H1: loss £0.7 million)
- Profit from disposal of subsidiaries £1.9 million (FY18 H1: £nil)
- Basic EPS from continuing operations of 3.2 pence (FY18 H1: 3.8 pence loss per share)
- Net cash position at 31 July 2018 £13.4 million (FY18 H1: £0.8 million)

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

Operational Highlights:

- Completion of disposal of Comunica Holdings Ltd and Commensus Ltd for total cash consideration £21.6 million, £19.6 million received in June 2018 with a further £2.0 million additional consideration due subject to the satisfactory conclusion of a particular project
- Successful rebranding of the Company as SmartSpace Software Plc
- Part of the proceeds received from the disposal used to repay in full the Barclays term loan
- EMI options granted over a total 466,500 ordinary shares to 58 employees
- Trading in-line with management expectations with strong pipeline of contracts across the Group heavily weighted for the second half

Post Period End Highlights:

- Acquisition of 100% of the share capital of Swiped On Limited, a company registered in New Zealand, for a total consideration of £5.4 million (NZ$ 11.0 million), satisfied by £4.2 million in cash (NZ$ 8.6 million) and £1.2 million (NZ$ 2.4 million) in equity

Board Changes with effect from 18 June 2018:

- Frank Beechinor appointed as Chief Executive Officer
- Guy van Zwanenberg appointed as Chairman

Frank Beechinor, CEO of SmartSpace, commented:

"The second half of the year has started well and I expect to see the strong pipeline of near term opportunities develop into contracts over the coming months, particularly workspace management. The market continues to show increased demand for our products with businesses increasingly focusing on ways in which to optimise their corporate real estate. We have a growing list of new client engagements with live proof of concept projects and we hope to convert these into SaaS contracts in the coming months.

We are confident, that with our strong cash position, we will be able to accelerate the growth of the Company through our 'buy and build' acquisition strategy, as illustrated by the recent Swiped On acquisition, with a focus on successfully identifying the right targets which complement our 'smart' software proposition.

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

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

Enquiries:

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CEO's Review

The half year 2019, has been transformational for SmartSpace. With the announcement in May 2018 that we had disposed of our Systems Integration and Managed Services divisions to Excel IT for a total cash consideration of £21.6 million, we have made significant progress on our journey to becoming a leading software provider in the space management market.

The rationale for the disposal of the Systems Integration and Managed Services divisions was to focus the Group's strategy on Software which has better quality revenues, both in terms of a higher margin but also greater visibility. Those divisions, with their mix of projects and services, on a blended basis, reported lower gross margins than Software and were more prone to external economic factors, therefore having a less predictable business model. This unpredictable nature is evidenced by the trading in the first half last year versus the second half, as well as the flat gross profit reported in the current period on increased sales. In addition, the Systems Integration and Managed Services businesses were more working capital consumptive during busy trading periods and the Board had concluded that the required capital could be employed to generate better returns in the Software division. The Board believes it has maximised the return on these assets.

Following the disposal, and with the focus on the business as a pure play 'smart' software provider, the Board proposed the change of name to SmartSpace Software Plc at the Company's AGM to reflect this re-positioning and how we want to present ourselves within the industry and to the financial markets going forward.

We have spent the past two and a half years evolving our suite of workplace space management software products. Our modules include desk, meeting room and visitor management, wayfinding, smart car parking all of which enables employee engagement and drives loyalty. Historically we sold this software on a licence model focusing on high value/blue chip enterprise customers. In addition, our suite of software products also targets two other markets – hospitality and retail. Whilst our main revenue driver going forward will be to focus on growing our workplace business, we will continue to offer software solutions in hospitality and retail which both have ample growth opportunities. A major focus of the Board is to grow our SaaS revenue as well as diversifying our offerings to include solutions for mid-market and entry-level customers in the workplace market. In the past we primarily secured new customers via a direct sales approach, however it is our intention to broaden our sales approach to include indirect sales through a network of partners in the UK and overseas.

As a result of the disposal of the Systems Integration and Managed Services divisions, the Group has significantly reduced in scale and our immediate priority is to increase the scale and profitability of SmartSpace. We will utilise our cash resources from the disposal to drive organic growth but we also intend to explore opportunities to acquire software businesses in the space management market to accelerate our growth. Our priorities will be in three categories: businesses that could increase our sales and/or geographical reach; technology that diversifies our current product offering; and entry level product suites in the space management sector. These clearly identified targeted areas would help achieve our objectives of being active at three levels in the market – enterprise, mid-market and entry level - as well as growing our business internationally.

The Board completed the first of these strategic acquisitions on 15 October, acquiring Swiped On Limited ("Swiped On"), a company registered in New Zealand, for £5.4 million. Swiped On offers customers an excellent visitor management system offering. Aimed at mid-market and entry level, they currently service over 2,000 customers globally generating annual recurring pure SaaS revenues of approximately £0.8 million. This software is much more sophisticated than our own visitor management capability and will therefore enable us to strengthen our offering to existing workplace space management clients. In addition, it will enable us to accelerate the development of entry level meeting room management and smart car parking products. We will be able to offer these to Swiped On's existing customers as well as offering them through our own distribution network.

Current Trading and Outlook

The Group already has blue chip clients such as UBS and UBM on multi-year contracts and other clients including GlaxoSmithKline, the Rugby Football Union and the Munich Smart City project. In addition, I expect to see the strong pipeline of near-term opportunities develop into contracts over the coming months, particularly workspace management. The market continues to show increased demand for our products with businesses increasingly focusing on ways in which to optimise their corporate real estate. We have a growing list of new client engagements with live proof of concept projects and we hope to convert these into SaaS contracts in the coming months.

We are confident, that with our strong cash position, we will be able to accelerate the growth of the Company through our 'buy and build' acquisition strategy, with a focus on successfully identifying the right targets which complement our 'smart' software proposition.

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

Finally, I would also like to thank the continued support of our shareholders. I appreciate many long-term shareholders have been through a difficult journey since the days of Coms. I believe, with the plans we have in place, we can reward your forbearance with a step-change in the value of your business.

Frank Beechinor
Chief Executive Officer

16 October 2018

Financial Results

Continuing Operations

The results for the Group, both continuing and discontinued operations, for the current and comparative periods are presented in the statement of comprehensive income.

The statement of comprehensive income for the continuing Group, for current and comparative periods, is detailed below to enable a year on year comparison on performance. Further details can be found in note 4 to the interim financial statements.

	Note	Six months to 31 July 2018 £000	Six months to 31 July 2017 £000	Year ended 31 January 2018 £000
Revenue	5	1,878	2,117	6,137
Cost of sales		(907)	(471)	(1,374)
Gross profit		971	1,646	4,763
Administrative expenses		(3,543)	(2,250)	(5,386)
Operating loss		(2,572)	(604)	(623)
Adjusted (LBITDA)/EBITDA*		(1,871)	(148)	213
Integration and transactional costs included within administrative expenses		(287)	(328)	(390)
Depreciation		(48)	(22)	(73)
Amortisation		(325)	(65)	(291)
Share based payment charge		(41)	(41)	(82)
Operating loss		(2,572)	(604)	(623)
Profit from sale of subsidiaries		3,281	-	-
Net finance expense		(100)	(70)	(120)
Profit/(loss) for the period before tax		609	(674)	(743)
Taxation		14	13	27
Profit/(loss) for the period after tax		**623**	**(661)**	**(716)**
Earnings/(loss) per share				
Basic earnings/(loss) per share	7	3.2p	(3.8p)	(3.6p)
Diluted earnings/(loss) per share	7	3.2p	(3.8p)	(3.6p)

The adjusted LBITDA* from continuing operations of £1.9 million (FY18 H1: £0.2 million) represents an increase in loss of £1.7 million on the comparative period, which is a result of £0.7 million reduction of gross profit performance and £1.0 million investment in overheads. The increase in overheads comprises £0.2 million from A+K which was owned only part of the comparative period and £0.8 million investment in new staff hires in the Software division as we scale the business.

Operating loss from continuing operations of £2.6 million (FY18 H1: £0.6 million operating loss), includes integration and transactional items (but not the profit on disposal of the Systems Integration and Managed Services divisions), depreciation, amortisation and share based payments.

On 18 June 2018 the Group completed the disposal of its Systems Integration and Managed Services divisions. The continuing operations reported profit on disposal from this transaction of £3.3 million. As a result, the group reported profit before taxation from continuing operations of £0.6 million representing a £1.3 million increase on the prior period (FY18 H1: £0.7 million loss before taxation).

Basic earnings per share from continuing operations during the period was 3.2 pence (FY18 H1: 3.8 pence loss per share) on reported profit after taxation of £0.6 million (FY18 H1: £0.7 million loss after taxation). The current period EPS benefitted from the profit on sale of subsidiary companies of £1.9 million and the waiver of loans made by the disposed entities to continuing Group companies of a further £1.4 million.

Adjusted basic loss** per share from continuing operations for the period was 10.8 pence (FY18 H1: 3.8 pence loss per share), resulting from an adjusted loss of £2.1 million (FY18 H1: adjusted loss £0.3 million) after exclusion of profit on disposal £3.3 million.

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

** (Loss)/earnings for the period from continuing operations adjusted for integration and transactional items, impairment charges and share based payment charge.

Segmental Reporting

Software

The Software business reported revenues of £1.5 million (FY18 H1: £1.8 million). The gross profit, at 57%, is below that we would normal expect, down from the comparative period of 84% contributing £0.8 million (FY18 H1: £1.5 million) to gross profit in the period. The reduction in gross profit in the period is primarily due to sales mix. The smart software product suite is aligned to addressing different markets: corporate real estate, retail and hospitality. Some of our software sales in the period were lower margin, including third party software sales with some margins running at 30%, as a result of existing channel relationships. In addition, we have delivered two material retail projects, which include third party products such as the cost of touchscreens, as well as smaller corporate real estate deployments which include third party hardware components such as meeting room panels and wayfinding kiosks. We expect margins to improve in the future as a result of a sales pipeline of predominantly pure software projects.

Our relationship with Evoko, which manufactures premium display panels, is of strategic value to the Group. Not only do we benefit from our mature partnership status, we also see new opportunities from this established global channel for our software products and expect to see material opportunities develop in the near future.

One of our main priorities is to shift the mix of revenue from one-off sales to annuity revenue streams and the current sales activity indicates this is moving in the right direction. Recurring revenue of £0.2 million (FY18 H1: £0.2 million) was included in the division's reported revenue in the period. However, we are encouraged by our sales pipeline which includes a number of significant new SaaS opportunities.

Adjusted LBITDA* for the period of £1.1 million (FY18 H1: £0.5 million adjusted EBITDA) has resulted from a decrease in margin performance, combined with an investment in overheads, in particular our people, increasing our capability in key business functions, in particular in software deployment. Continued investment in technically skilled staff will ensure we have the capacity to meet increased client mandates. The increase in software overheads is also in part due to the full period effect from the acquisition of A+K which was acquired in May 2017, the impact of which increased overheads by £0.2 million.

The pipeline of software opportunities continues to increase, this includes traditional licence sales opportunities as well as pure SaaS annuity contracts. We also see opportunities for a hybrid offering, combining a platform licence at the outset with software services to be purchased downstream. There are also opportunities for channel sales, particularly through A+K's network of distributors, and we have increased interest from partners; we plan to develop our channel sales model globally. This will require us to invest further in our platform to make it channel ready enabling partners to take our products through their channels to market.

In addition to rolling out our services across existing client estates, we have also secured new SaaS clients in the banking and business services sectors.

Systems Integration

Revenue for the period at £0.4 million (FY18 H1: £0.3 million) represents a marginal increase in the period, however it reflects six months trading from A+K in the current period compared to three months in the prior period. Furthermore, gross profit for the period at 33% is down 13% on the prior period 46%. This can be attributed to a lower labour element on contracts completed in the current period versus those in the prior period, with services typically attracting higher margins. Adjusted LBITDA* for the period of £0.1 million (FY18 H1: £0.1 million adjusted EBITDA) was down £0.2 million against the prior period as a result of a full six months overhead base against a flat gross profit.

Group Overhead

Central overheads include the cost of the Board, central back office functions, the costs of maintaining a listing and Group advisors. The interims include a Group overhead reporting an operating loss £1.0 million (FY18 H1: cost of £0.9 million). The period reported flat performance at LBITDA versus the prior period at £0.7 million, however, the Board anticipates that the Group overhead run rate will reduce on a full year basis.

Discontinued Operations

During the period, the trading performance of the discontinued operations was slightly down on prior period, reporting a profit from operations, net of tax of £0.6 million (FY18 H1: profit £0.7 million). The discontinued operations reported increased revenues for the current period at £25.5 million (FY18 H1: £18.0 million) but flat gross margin. The performance during the period is a result of Systems Integration projects, which had a number of high revenue, low margin contracts in the period. As part of the sale of these divisions, loans to other Group companies amounting to £1.4 million were waived and accordingly a charge of that amount was recorded in discontinued operations.

Disposal of Subsidiaries

As previously announced, on 18 June 2018, SmartSpace Software Plc completed the disposal of 100% of the share capital of Comunica Holdings Limited ("CHL") and its 100% owned subsidiary Redstone Converged Solutions Limited ("RCS"), and Commensus Limited ("CL") for a total consideration of £21.6 million in cash, of which £19.6 million was paid on completion, and a further £2.0 million payable subject to completion of an already contracted project by Redstone Converged Solutions Ltd ("Additional Consideration"). In addition, intercompany loans from the divisions to the Company amounting to a further £1.4 million were waived.

The additional consideration will be retained by the purchaser for working capital purposes relating to a project. In the event that the additional consideration is not sufficient to cover the ongoing working capital relating to the project, the Company may be required to provide additional working capital equal to any such deficit, subject to the terms of the Share Purchase Agreement. As at the date of this report, the Company continues to carry the £2.0 million receivable in the balance sheet and has not provided any further working capital.

Under capital gains tax exemption rules, the disposal meets the exemption criteria, therefore the profits on disposal will not give rise to a tax charge.

Disclosure of the disposal is detailed in note 3 to the interim financial statements.

Post Balance Sheet Acquisition

On 15 October 2018 the Group acquired 100% of the share capital of Swiped On Limited, a company registered in New Zealand, for a total consideration of £5.4 million (NZ$ 11.0 million). The transaction was satisfied by £4.2 million in cash (NZ$ 8.6 million) and £1.2 million (NZ$ 2.4 million) in equity through the issue of 1,372,618 new ordinary shares of 10 pence each at a value of 87.1 pence per share.

The cash element of the consideration was funded from the disposal proceeds from sale of subsidiaries during the period.

Accounting Policies – IFRS 15 Revenue from contracts with customers

During the period, as required by the International Accounting Standards Board "IASB" the Group has initially adopted IFRS 15 Revenue from Contracts with Customers effective 1 February 2018, replacing the previous IAS 18 Revenue.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, the previous reporting standard.

As set out in note 8, the board, having assessed the IFRS 15 guidance, believes that no adjustments are required to reported revenues either in the current or prior periods.

Employee Headcount

Following the significant disposal of the Group's Systems Integration and Managed Services assets, the Group is of a relatively modest size. As at the balance sheet date the Group had 70 employees (FY18 H1: 60 employees) and 16 contractors (FY18 H1: 7 contractors), of which 6 contractors sit off-shore in a development facility in the Ukraine (FY18 H1: no off-shore contractors). The Group remains focussed on managing its overheads, but it is also expected that over the coming months the Group will add key new hires aligned to new client mandates which have been a focus during the period and which are expected to close and contribute to the second half of the year. These investments will be made in key areas as the Group realigns its focus building out its capability to meet increased client opportunities and deploy our own software products.

Employee Share Options

On 31 July 2018 the Company granted EMI options over a total of 466,500 ordinary shares of 10 pence in the Company to 58 employees (100,000 to persons discharging managerial responsibilities). The award having been made on the last day of the period, did not have a material impact on the Share Based Payment charge in the period.

The Employee Options have an exercise price of 101.25p per share (being the closing mid-market share price on 30 July 2018, the latest possible date prior to the date of grant), 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. The options granted to persons discharging managerial responsibilities are subject to performance conditions relating to share price growth over a three-year period but options granted to other employees simply require such employees to remain in continuous employment within the Group for a three-year period.

Investment in Product Development

Investment in development of the Group's software for the period amounted to £0.7 million (FY18 H1: £0.5 million). This investment has been capitalised in the balance sheet and is included within intangible assets.
Investment has focussed on enhancing the functionality on our main space management platform. As well as the core platform, we offer a number of modules covering desk, meeting and visitor management, wayfinding and carparking. We believe our technology surpasses that of our competitors and recognise the need to maintain this lead through ongoing product innovation. We are also investing to ensure that our platform is ready for deployment by our distribution partners around the globe.

Cash flow

Cash used in operations before movements in working capital amounted to £1.2 million (FY18 H1: £0.6 million cash generated). Cash outflows from working capital of £1.2 million (FY18 H1: £4.5 million) resulted from £5.6 million (FY18 H1: £2.0 million) increase in receivables offset by £4.4 million increase in payables (FY18 H1: £2.5 million reduction in payables). This resulted in net cash used in operations of £2.4 million (FY18 H1: £3.9 million net cash used in operations).

Cash inflow from investing activities during the period amounted to £14.8 million (FY18 H1: £2.0 million cash outflow) consisting of £15.7 million proceeds from disposal of subsidiaries, offset by investment of £0.7 million in software development and capital expenditure of £0.2 million. The cash inflows of £15.7 million from disposal of subsidiaries represents cash consideration received of £19.6 million less cash held in the disposal assets £3.9 million.

Cash outflows from financing activities in the period amounted to £1.9 million (FY18 H1: £5.9 million cash inflows). During the current six-month trading period, the Group borrowed £1.5 million debt facility to support increasing working capital requirements in the disposed divisions. The Group subsequently repaid the £1.5 million debt as well as settling the £1.8 million outstanding balance on the term loan in relation to the acquisition of Commensus Limited in 2016.

The above cash flows resulted in a cash balance at the period end of £13.8 million (FY18 H1: £3.1 million) and a net cash position of £13.4 million (FY18 H1: £0.8 million).

Banking

Following the disposal of the Systems Integration and Managed Services divisions in June 2018, the Group has settled its term loan and cancelled its overdraft facility. At the period end, the Group retained a mortgage with Barclays totalling £0.4 million, which was secured on its freehold premises in Suffolk.

Corporate Governance – QCA Code

As required by all AIM listed business, the Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Group has disclosed its corporate governance framework on its website, details of which can be found on the company website via www.smartspaceplc.com/investor-centre/corporate-governance-report.

Spencer Dredge
Chief Financial Officer
16 October 2018

Consolidated Income Statement
For the six months ended 31 July 2018

	Note	Continuing Six months to 31 July 2018 Unaudited £000	Discontinued Six months to 31 July 2018 Unaudited £000	Consolidated Six months to 31 July 2018 Unaudited £000	Six months to 31 July 2017 Unaudited £000	Year ended 31 January 2018 Audited £000
Revenue	5	1,878	25,494	27,372	20,119	47,574
Cost of sales		(907)	(22,054)	(22,961)	(14,622)	(34,216)
Gross profit		971	3,440	4,411	5,497	13,358
Administrative expenses		(3,543)	(2,791)	(6,334)	(5,373)	(11,787)
Operating (loss)/profit		(2,572)	649	(1,923)	124	1,571
Adjusted (LBITDA)/EBITDA*		(1,871)	815	(1,056)	978	3,207
Integration and transactions costs included within administrative expenses		(287)	(5)	(292)	(353)	(437)
Depreciation		(48)	(133)	(181)	(187)	(402)
Amortisation		(325)	(136)	(461)	(228)	(625)
Share based payment charge		(41)	108	67	(86)	(172)
Operating (loss)/profit		(2,572)	649	(1,923)	124	1,571
Profit/(loss) from sale of subsidiaries		3,281	(1,403)	1,878	-	-
Net finance expense		(100)	(2)	(102)	(70)	(116)
Profit/(loss) for the period before tax		609	(756)	(147)	54	1,455
Taxation		14	(154)	(140)	30	61
Profit from continuing operations for the period after tax	**5**	**623**	**-**	**623**	**84**	**1,516**
Loss from discontinued operations for the period after tax		**-**	**(910)**	**(910)**	**(6)**	**(7)**
Profit/(loss) for the period		**623**	**(910)**	**(287)**	**78**	**1,509**
Total comprehensive profit/(loss) for the period attributed to equity holders		**623**	**(910)**	**(287)**	**78**	**1,509**

Basic earnings/(loss) per share		**31 July 2018**	**31 July 2017**	**31 January 2018**
Continuing operations	7	3.2p	0.5p	7.7p
Discontinued operations	7	(4.6p)	0.0p	(0.0p)
Total		(1.4p)	0.5p	7.7p
Diluted earnings/(loss) per share				
Continuing operations	7	3.2p	0.5p	7.7p
Discontinued operations	7	(4.6p)	0.0p	(0.0p)
Total		(1.4p)	0.5p	7.7p

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

Consolidated Statement of Financial Position as at 31 July 2018

	31 July 2018 Unaudited £000	31 July 2017 Unaudited £000	31 January 2018 Audited £000
ASSETS			
Non-current assets			
Goodwill	1,979	12,202	12,232
Other intangible assets	2,946	3,747	4,212
Property, plant and equipment	764	1,638	1,614
Deferred tax	-	2	34
	5,689	17,589	18,092
Current assets			
Inventories	69	285	224
Trade and other receivables	4,329	10,759	13,605
Cash and cash equivalents	13,844	6,687	4,423
	18,242	17,731	18,252
Total assets	23,931	35,320	36,344
EQUITY AND LIABILITIES			
Capital and reserves attributed to equity shareholders			
Share capital	2,078	2,078	2,078
Reverse acquisition reserve	(4,236)	(4,236)	(4,236)
Accumulated surplus	24,206	23,043	24,560
Total equity	22,048	20,885	22,402
Current liabilities			
Overdraft	-	3,545	980
Bank loans	24	679	638
Trade and other payables	1,117	8,338	10,595
Corporation tax	-	50	-
	1,141	12,612	12,213
Non-current liabilities			
Deferred tax	274	-	-
Bank loans	413	1,685	1,588
Provisions	55	138	141
Total liabilities	1,883	14,435	13,942
Total equity and liabilities	23,931	35,320	36,344

Consolidated Statement of Cash Flows

For the six months ended 31 July 2018

	Six months to 31 July 2018 Unaudited £000	**Six months to 31 July 2017 Unaudited £000**	**Year ended 31 January 2018 Audited £000**
Cash flows from operating activities			
(Loss)/profit for the period	(287)	78	1,509
Depreciation	181	187	402
Amortisation	461	228	625
Share based payment (credit)/charge	(67)	86	172
Net finance costs	102	70	116
Taxation	140	(30)	(61)
Movement in provisions	139	(30)	(28)
Profit on sale of subsidiaries	(1,878)	-	-
Operating cash (outflow)/inflow before movements in working capital	(1,209)	589	2,735
Decrease in inventories	14	31	92
Increase in receivables	(5,647)	(1,995)	(4,894)
Increase/(decrease) in payables	4,393	(2,526)	(248)
Operating cash outflow after movements in working capital	(2,449)	(3,901)	(2,315)
Tax refunded	-	-	(54)
Net cash (used in)/generated from operating activities	(2,449)	(3,901)	(2,369)
Cash flows from investing activities			
Development expenditure	(708)	(511)	(1,232)
Acquisition of subsidiaries (net of cash acquired)	-	(1,254)	(1,249)
Acquisition of intangible assets	-	(35)	(176)
Proceeds from sale of subsidiary (net of cash disposed)	15,671	-	-
Acquisition of property, plant and equipment	(222)	(206)	(395)
Net cash generated from/(used in) investing activities	14,741	(2,006)	(3,052)
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)	-	6,240	6,240
Loan drawn	1,500	1,150	1,150
Loan repaid	(3,289)	(1,467)	(1,605)
Interest paid	(102)	(70)	(116)
Net cash (outflow)/inflow from financing activities	(1,891)	5,853	5,669
Net increase/(decrease) in cash and cash equivalents	10,401	(54)	248
Cash and cash equivalents at start of period	**3,443**	**3,195**	**3,195**
Cash and cash equivalents at end of period	**13,844**	**3,141**	**3,443**

Consolidated Statement of Changes in Equity

For the six months ended 31 July 2018

	Share capital £000	Share premium / merger reserve £000	Reverse acquisition reserve £000	Accumulated deficit £000	Total £000
At 1 February 2017	3,687	34,500	(4,236)	(19,470)	14,481
Profit for the period	-	-	-	78	78
	-	-	-	78	78
Transactions with the owners:					
Proceeds from shares issued	433	6,067	-	-	6,500
Share issue costs	-	(260)	-	-	(260)
Capital reduction	(2,042)	(40,307)	-	42,349	-
Share based payment charge	-	-	-	86	86
At 31 July 2017	2,078	-	(4,236)	23,043	20,885
Profit for the period	-	-	-	1,431	1,431
	-	-	-	1,431	1,431
Transactions with the owners:					
Share based payment charge	-	-	-	86	86
At 31 January 2018	2,078	-	(4,236)	24,560	22,402
Loss for the period	-	-	-	(287)	(287)
	-	-	-	(287)	(287)
Transactions with the owners:					
Share based payment charge	-	-	-	(67)	(67)
At 31 July 2018	**2,078**	**-**	**(4,236)**	**24,206**	**22,048**

Notes to the Interim Financial Information

1. Basis of Preparation

The unaudited interim report for the six months to 31 July 2018 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 January 2018 are extracted from the statutory financial statements which have been reported on by the Company's auditor, KPMG LLP, and have been delivered to the Registrar of Companies. The report of the auditor on those accounts was unqualified and did not contain statements under Section 498 to 502 of the Companies Act 2006.

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards and on the historical cost basis, using generally recognised accounting principles consistent with those used in the annual report and accounts for the year ended 31 January 2018 and expected to be used for the year ending 31 January 2019.

This interim report for the six months to 31 July 2018, which complies with IAS 34 'Interim Financial Reporting', was approved by the Board on 16 October 2018.

Hard copies of the interim report are available from the Company at its registered office at Room 104, Grenville Court, Britwell Road, SL1 8DF. This interim report will also be made available on the Company's website, www.smartspaceplc.com.

2. Significant Accounting Policies

The accounting policies and methods of computation applied are consistent with those of the annual financial statements for the year ended 31 January 2018, as described in those annual financial statements.

As required by the International Accounting Standards Board "IASB" the Group has adopted IFRS 15 Revenue from Contracts with Customers with effect 1 February 2018. The board, having assessed the IFRS 15 guidance, believe the adoption of this new standard has not led to an adjustment of prior reported revenues. The details of the assessment conducted by the Board in arriving at this decision are set out in note 8.

3. Disposal of subsidiaries

On 18 June 2018, SmartSpace Software Plc completed the disposal of 100% of the share capital of Comunica Holdings Limited (“CHL”) and its 100% owned subsidiary Redstone Converged Solutions Limited (“RCS”), and Commensus Limited (“CL”) for a total consideration of £21.6 million in cash, of which £19.6 million was payable on completion, and a further £2.0 million payable on or before 30 November 2018, subject to completion of an already contracted project by Redstone Converged Solutions Ltd (“Additional Consideration”). In addition, an intercompany loan from the divisions to the Group amounting to a further £1.4 million were waived.

The Additional Consideration will be retained by the Purchaser for working capital purposes relating to a project, which is due to complete in November 2018. In the event that the Additional Consideration is not sufficient to cover the ongoing working capital relating to the project, the Company may be required to provide additional working capital equal to any such deficit, subject to the terms of the Share Purchase Agreement. At the date of this report no additional working capital has been provided.

Under capital gains tax exemption rules, the disposal meets the exemption criteria, therefore the profits on disposal will not give rise to a tax charge.

The disposal of CHL and CL is in line with SmartSpace’s strategy of developing the Company into a software-led business through both organic and acquisitive growth. The Board believes that the Group’s capital resources are best utilised in growing the technology-led software business with the focus on higher margin, recurring SaaS revenue.

The profit on disposal and net book value of the assets disposed of are summarised below:

Group	£’000
Consideration received:	
Cash	19,600
Deferred consideration	2,000
Total consideration	21,600
Carrying amount of net assets sold after loan waiver	(19,180)
Profit on disposal	2,420
Less: associated expenses	(542)
Net profit on disposal	1,878
Continuing operations	
Net profit on disposal	1,878
Intercompany loans waived	1,403
Total profit on disposal	3,281
Group	
Cash received	19,600
Less: cash in disposal assets	(3,929)
Total cash received	15,671

The carrying amounts of assets and liabilities as at the date of disposal, 18 June 2018, after waiving £1.4 million of loans made to other Group companies are as follows:

	Comunica Holdings Ltd £000	Commensus Ltd £000	Total carrying value £000
Goodwill	8,724	1,528	10,252
Intangible assets	173	1,423	1,596
Property, plant and equipment	527	272	799
Cash at bank	3,952	-	3,952
Current assets	16,614	450	17,064
Overdrafts	-	(23)	(23)
Current liabilities	(12,335)	(1,081)	(13,416)
Non-current liabilities	(1,126)	(251)	(1,377)
Deferred tax asset/(liability)	617	(284)	333
	17,146	2,034	19,180

4. Continuing operations

The results for the continuing group for the six month period to 31 July 2018 are detailed below together with performance in the comparative periods.

	Note	**Six months to 31 July 2018 £000**	**Six months to 31 July 2017 £000**	**Year ended 31 January 2018 £000**
Revenue	5	1,878	2,117	6,137
Cost of sales		(907)	(471)	(1,374)
Gross profit		971	1,646	4,763
Administrative expenses		(3,543)	(2,250)	(5,386)
Operating loss		(2,572)	(604)	(623)
Adjusted (LBITDA)/EBITDA*		(1,871)	(148)	213
Integration and transactional costs included within administrative expenses		(287)	(328)	(390)
Depreciation		(48)	(22)	(73)
Amortisation		(325)	(65)	(291)
Share based payment charge		(41)	(41)	(82)
Operating loss		(2,572)	(604)	(623)
Profit from sale of subsidiaries and loan waivers		3,281	-	-
Net finance expense		(100)	(70)	(120)
Profit/(loss) for the period before tax		609	(674)	(743)
Taxation		14	13	27
Profit/(loss) for the period after tax	5	**623**	**(661)**	**(716)**
Earnings/(loss) per share				
Basic earnings/(loss) per share	7	3.2p	(3.8p)	(3.6p)
Diluted earnings/(loss) per share	7	3.2p	(3.8p)	(3.6p)

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

The profit/(loss) for the period equates to the comprehensive income/(expense) for the period.

5. Segmental Analysis

In the opinion of the Directors the Group's activities comprise now two material business segments which reflect the profiles of the risks, rewards and internal reporting structures within the Group.

These are as follows:

- Systems Integration
- Software

The majority of the Group's activities from continuing operations were conducted within the United Kingdom, however it does have one material contract with a client based in Munich. Of total revenue from continuing operations in the six months to 31 July 2018 of £1.9 million (FY18 H1 £2.1 million), 89% or £1.7 million came from clients within the UK (FY18 H1; 85% or £1.8 million), with the remaining 11% or £0.2 million from the client in Munich (FY18 H1: 15% or £0.3 million).

Revenue	**Six months to 31 July 2018 £000**	**Six months to 31 July 2017 £000**	**Year ended 31 January 2018 £000**
Continuing operations	1,878	2,117	6,137
Discontinued operations	25,494	18,002	41,437
Total revenue	**27,372**	**20,119**	**47,574**

Six months ended 31 July 2018:

Continuing operations	**Systems Integration £000**	**Software £000**	**Group Overhead £000**	**Total £000**
Revenue	394	1,484	-	1,878
Cost of sales	(265)	(642)	-	(907)
Gross profit	**129**	**842**	**-**	**971**
Administrative expenses	(198)	(1,970)	(674)	(2,842)
Adjusted LBITDA*	**(69)**	**(1,128)**	**(674)**	**(1,871)**
Integration and transactional costs included within administrative expenses	-	(2)	(285)	(287)
Depreciation	(10)	(32)	(6)	(48)
Amortisation	(5)	(320)	-	(325)
Share based payment charge	-	(5)	(36)	(41)
Operating loss	**(84)**	**(1,487)**	**(1,001)**	**(2,572)**
Profit from disposal of subsidiaries	-	-	3,281	3,281
Net finance costs	(4)	5	(101)	(100)
(Loss)/profit before taxation	**(88)**	**(1,482)**	**2,179**	**609**
Taxation	1	13	-	14
(Loss)/profit after taxation	**(87)**	**(1,469)**	**2,179**	**623**

Six months ended 31 July 2017:

Continuing operations

	Systems Integration £000	Software £000	Group Overhead £000	Total £000
Revenue	338	1,779	-	2,117
Cost of sales	(181)	(290)	-	(471)
Gross profit	**157**	**1,489**	**-**	**1,646**
Administrative expenses	(95)	(988)	(711)	(1,794)
Adjusted EBITDA/(LBITDA)*	**62**	**501**	**(711)**	**(148)**
Integration and transactional costs included within administrative expenses	-	(153)	(175)	(328)
Depreciation	(5)	(16)	(1)	(22)
Amortisation	(2)	(63)	-	(65)
Share based payment charge	-	(5)	(36)	(41)
Operating profit/(loss)	**55**	**264**	**(923)**	**(604)**
Net finance costs	(1)	(19)	(50)	(70)
Profit/(loss) before taxation	**54**	**245**	**(973)**	**(674)**
Taxation	-	13	-	13
Profit/(loss) after taxation	**54**	**258**	**(973)**	**(661)**

Year ended 31 January 2018:

Continuing operations

	Systems Integration £000	Software £000	Group Overhead £000	Total £000
Revenue	741	5,396	-	6,137
Cost of sales	(448)	(926)	-	(1,374)
Gross profit	**293**	**4,470**	**-**	**4,763**
Administrative expenses	(290)	(2,713)	(1,547)	(4,550)
Adjusted EBITDA/(LBITDA)*	**3**	**1,757**	**(1,547)**	**213**
Integration and transactional costs included within administrative expenses	-	(172)	(218)	(390)
Depreciation	(18)	(45)	(10)	(73)
Amortisation	(7)	(284)	-	(291)
Share based payment charge	-	(10)	(72)	(82)
Operating (loss)/profit	**(22)**	**1,246**	**(1,847)**	**(623)**
Net finance costs	(5)	(23)	(92)	(120)
(Loss)/profit before taxation	**(27)**	**1,223**	**(1,939)**	**(743)**
Taxation	1	26	-	27
(Loss)/profit after taxation	**(26)**	**1,249**	**(1,939)**	**(716)**

6. Integration and Transactional items

	Six months to July 2018	Six months to July 2017	Year ended 31 January 2018
	£000	£000	£000
Integration costs	116	227	300
Transactional items	171	125	137
Deconsolidation costs	5	7	7
	292	359	444
Integration and transactional items			
Continued operations	287	328	390
Discontinued operations	5	31	54
	292	359	444

The integration costs include both employee and other restructuring costs, with employee costs including salary, redundancy and other exit costs. In the six months to 31 July 2018 transactional items include restructuring costs, shareholder communication costs and management bonuses in respect of the disposal, whilst the transactional items relating to the year ended 31 January 2018 include the costs involved with the acquisition of Anders + Kern (U.K.) Limited, fees in respect of the share placing, share consolidation and capital reduction. The deconsolidation items represent the unwinding of balance sheets in respect of previously dormant subsidiaries.

7. Earnings/(loss) per Share

On 5 June 2017, the Group held its AGM at which the Board proposed a share consolidation whereby every 100 'Existing Ordinary Shares' with a nominal value of 0.1 pence would be consolidated into one 'New Issued Ordinary Share' with a nominal value of 10 pence each. This resolution was approved by the shareholders at the AGM and subsequently the consolidation took effect on 6 June 2017.

The 'weighted average ordinary shares in issue' and 'weighted average potential diluted shares in issue' values used in the earning per share calculations for the six months ended 31 July 2016 and the year ended 31 January 2017 have been restated to reflect the position had the share consolidation been in effect on 1 February 2016.

	Six months ended 31 July 2018		
	Continuing operations £000	Discontinued operations £000	Total £000
Profit/(loss) for the period	623	(910)	(287)
Adjustments to basic earnings/(loss):			
Profit on disposal of subsidiary	(3,281)	1,403	(1,878)
Integration and transactional costs	287	5	292
Tax credit on integration and transactional costs	(55)	(1)	(56)
Intangible asset amortisation	325	136	461
Deferred tax credit on intangible asset amortisation	(62)	(26)	(88)
Share based payment charge/(credit)	41	(109)	(68)
Deferred tax credit/(charge) on share-based payment charge/(credit)	(8)	21	13
Adjusted profit/(loss) attributable to owners of the company	(2,130)	519	(1,581)
Number of shares	**No.**	**No.**	**No.**
Weighted average ordinary shares in issue	19,621,325	19,621,325	19,621,325
Weighted average potential diluted shares in issue	19,621,325	19,621,325	19,621,325
Earnings/(loss) per share			
Basic earnings/(loss) per share	3.2p	(4.6p)	(1.4p)
Diluted earnings/(loss) per share	3.2p	(4.6p)	(1.4p)
Adjusted (loss)/earnings per share			
Basic (loss)/earnings per share	(10.8p)	2.6p	(8.2p)
Diluted (loss)/earnings per share	(10.8p)	2.6p	(8.2p)

	Six months ended 31 July 2017		
	Continuing operations	**Discontinued operations**	**Total**
	£000	**£000**	**£000**
Profit/(loss) for the year	84	(6)	78
Adjustments to basic earnings/(loss):			
Integration and transactional costs	353	6	359
Tax credit on integration and transactional costs	(67)	(1)	(68)
Intangible asset amortisation	228	-	228
Deferred tax credit on intangible asset amortisation	(43)	-	(43)
Share based payment charge	86	-	86
Deferred tax credit on share-based payment charge	(16)	-	(16)
Adjusted profit/(loss) attributable to owners of the company	625	(1)	624
Number of shares	**No.**	**No.**	**No.**
Weighted average ordinary shares in issue	17,436,850	17,436,850	17,436,850
Weighted average potential diluted shares in issue	17,436,850	17,436,850	17,436,850
Earnings per share			
Basic earnings per share	0.5p	0.0p	0.5p
Diluted earnings per share	0.5p	0.0p	0.5p
Adjusted earnings per share			
Basic earnings per share	3.6p	0.0p	3.6p
Diluted earnings per share	3.6p	0.0p	3.6p

	Year ended 31 January 2018		
	Continuing operations	**Discontinued operations**	**Total**
	£000	**£000**	**£000**
Profit/(loss) for the year	1,516	(7)	1,509
Adjustments to basic earnings/(loss):			
Integration and transactional costs	437	7	444
Tax credit on integration and transactional costs	(84)	(1)	(85)
Intangible asset amortisation	625	-	625
Deferred tax credit on intangible asset amortisation	(120)	-	(120)
Share based payment charge	172	-	172
Deferred tax credit on share-based payment charge	(33)	-	(33)
Adjusted profit/(loss) attributable to owners of the company	2,513	(1)	2,512
Number of shares	**No.**	**No.**	**No.**
Weighted average ordinary shares in issue	19,621,325	19,621,325	19,621,325
Weighted average potential diluted shares in issue	19,621,325	19,621,325	19,621,325
Earnings/(loss) per share			
Basic earnings/(loss) per share	7.7p	0.0p	7.7p
Diluted earnings/(loss) per share	7.7p	0.0p	7.7p
Adjusted loss per share			
Basic loss per share	12.8p	0.0p	12.8p
Diluted loss per share	12.8p	0.0p	12.8p

8. Impact of adoption of IFRS 15 – Revenue from contracts with customers

IFRS 15 – Revenue from Contracts with Customers (IFRS 15) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for accounting periods beginning on or after 1 January 2018 and has therefore been adopted by the Group with effect from 1 February 2018.

The board, having assessed the IFRS 15 guidance, believe the adoption of this new standard has not led to an adjustment of prior reported revenues. The details of the assessment conducted by the Board in arriving at this decision are set out below.

Accounting for licences
IFRS 15 contains new guidance on accounting for licences, which requires an entity to consider:

- whether the licence is distinct from other goods and services; and
- whether the licence provides a 'right to use' software in its current form or a 'right to access' content that changes over time.

Under IFRS 15, revenue on perpetual and term licences, where there is no significant future vendor obligation, is recognised on delivery, less an allowance for future costs. SaaS, support and maintenance and hosting contracts have material ongoing future performance obligations associated with them and hence revenue will be recognised over time. These policies are in line with the Group's current accounting policies.

Particular consideration was given to accounting for term licenses within the software segment, which have in the past predominantly been installed on-premise, but which may have elements hosted by the Group. These licences are considered distinct from hosting, support and maintenance services included within the contract and provide a 'right to use' software that does not significantly change over the term of the contract. Under the previous accounting policy, the Group recognised the licence revenue upfront, when ownership is deemed to have transferred to the client, and this approach aligns to IFRS 15 guidance and therefore has not led to an adjustment to previously reported revenues.

The Group provides other services in the form of professional services work, which includes customisation of software, solution proposal, installation and hardware products. The professional services contracts provide for the Group to be reimbursed for these services as they are undertaken, accordingly the Group recognises revenue over time on a percentage completion basis. This aligns with the new IFRS 15 guidance, therefore has not led to an adjustment to previously reported revenues.

9. Subsequent events

On 15 October 2018 the Group acquired 100% of the share capital of Swiped On Limited, a visitor management software business registered in New Zealand, for consideration of £5.4 million (NZ$ 11.0 million). The transaction was satisfied by £4.2 million in cash (NZ$ 8.6 million) and £1.2 million (NZ$ 2.4 million) in equity through the issue of 1,372,618 new ordinary shares.

The cash element of the consideration was funded from the disposal proceeds from sale of subsidiaries during the period