8 May 2019

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

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

UNAUDITED FINAL RESULTS ANNOUNCEMENT
For the year ended 31 January 2019

"A year of successful transition"

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

Financial Highlights:

· Revenue from continuing operations up 2.8% to £6.3 million (2018: £6.1million)

- Adjusted LBITDA* £2.66 million (FY18: EBITDA: £0.2 million)
- Loss before tax from continuing operations of £4.2 million (FY18: loss £0.7 million)
- Profit from disposal of subsidiaries £2.95 million (FY18: £nil)
- Net cash position at 31 January 2019 £7.6 million (FY18: £1.2 million)

Operational Highlights:

- In June 2018, completed a successful sale of the Systems Integration and Managed Services divisions for a total consideration of £21.6 million (net proceeds of £17m taking into account transaction casts and cash adjustments);
  - o £19.6 million payable in cash on completion;
  - o £2.0 million payable, subject to completion of an already contracted project by Redstone Converged Solutions Ltd.
  - o Intra-group loans of £1.4m owed by the Company were also waived
- Successful rebranding of the Company as SmartSpace Software Plc
- Acquisition of 100% of the share capital of SwipedOn Limited on 15 October 2018, a company registered in New Zealand:
  - o total consideration of £5.5 million (NZ$ 11.0 million), satisfied by £4.3 million in cash (NZ$ 8.6 million) and £1.2 million (NZ$ 2.4 million) in equity.
  - o Between acquisition and year end the SwipedOn customer base has grown by 19% from 2,279 to 2,713.
- Signed distribution agreement with Evoko (a leading panel manufacturer) to resell SmartSpace technology through their global distribution channel
- Material contracts for our SmartSpace platforms
  - o Leading International Bank – 5 year licence for Workspace Management Software – 86,000 employees across 650 floors, 60 countries and 2,800 meeting rooms
  - o £1.25m, 5-year hospitality contract win – software platform for ticketing/event management & analytics
- Investment in software platform and scaling up of our development capacity: Launch of SmartSpace V2
- Board changes
  - o Frank Beechinor appointed as Chief Executive Officer (18 June 2018)
  - o Guy van Zwanenberg appointed as Chairman (18 June 2018)
  - o Bruce Morrison appointed Chief Financial Officer (27 November 2018)
- Appointment of senior executives to manage development implementation and sales

On outlook, Frank Beechinor, CEO of SmartSpace commented:

"Our plan in the coming year is to continue to invest into sales and marketing to enterprise and mid-market companies to maximise the opportunity we see for workplace technology, both 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. SwipedOn has performed exceptionally well between the time of acquisition and period end. More importantly, this momentum has continued into the current financial year with continued growth in customers, low cost of acquisition, low churn and increasing revenue per client. At 30 April 2019 the SwipedOn customer base had grown further to 3,063 customers, an increase of nearly 35% since SwipedOn became part of the Group. SwipedOn had its busiest month ever in March 2019 with 160 new customers signing up. We have also seen increased traction in new country markets including Germany, The Netherlands, Denmark, Sweden and Singapore.

“We will continue to focus our UK software development resources on our workplace software platform with the aim of enhancing the existing offering, allowing us to maintain competitive differentiation through technical 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.”

A copy of these unaudited final results and further information on the Company is available on the Company's website at: www.smartspaceplc.com. Copies of the report and accounts will be available from the Company’s website in due course and notification will be made when they become available.

Enquiries

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About SmartSpace Software Plc

SmartSpace Software plc (AIM:SMRT) is a SaaS-based technology business, designing and building smart software solutions. The Company's software solutions in workspace and hospitality help transform employee and customer engagement with modules which include: desk management, meeting room management, wayfinding, car parking, visitor management, frictionless vending, ticketing, loyalty management and analytics.

For more information go to: www.smartspaceplc.com

Chairman's Statement

FY19 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 earnings 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 $1.64m at the end of September 2018 to $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) new pricing plan and the development of add-on modules which can be sold to both existing and new customers.

The change 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 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 build 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
7 May 201

Strategic Report: strategy and operational review

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 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 £17.9m 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 arrangement;
- 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 (FY20 £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 (entry level).

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 are uncovering 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, due to the struggles of the retail market combined with the level of investment required to continue the development of this platform, we decided not to pursue further clients for our retail platform. This strategic decision allows the Group to focus its software development and sales efforts on the workplace and hospitality markets.

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 into 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
7 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
7 May 2019

Consolidated statement of comprehensive income

	Note	Unaudited 2019	Audited 2018
		£'000	£'000
Continuing operations			
Revenue from contracts with customers	3	**6,307**	6,137
Costs of sale of goods		**(1,848)**	(1,374)
Cost of providing services		**(710)**	(266)
Gross profit	2	**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		**(445)**	(389)
Depreciation		**(93)**	(73)
Amortisation		**(680)**	(291)
Impairment of intangible assets		**(297)**	-
Share based payment charge		**38**	(81)
Operating loss		**(4,143)**	(621)
Finance income		**51**	-
Finance costs		**(121)**	(120)
Loss before tax		**(4,213)**	(741)
Taxation		**1,730**	377
Loss for the year after tax		**(2,483)**	(364)
Profit for the year from discontinued operations		**1,884**	1,873
(Loss)/profit for the year		**(599)**	1,509
Total comprehensive (loss)/ profit for the year attributable to equity holders		**(599)**	1,509
Other comprehensive income			
Exchange differences on translation of foreign operations		**406**	-
		406	-
Total comprehensive (loss)/ income		**(193)**	1,509
Basic (loss)/earnings/ per share			
Continuing operations	7	**(11.72p)**	(1.86p)
Discontinued operations	7	**8.89p**	9.55p
Total		**(2.83p)**	7.69p
Diluted (loss)/earnings per share			
Continuing operations	7	**(11.72p)**	(1.86p)
Discontinued operations	7	**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.*

Consolidated balance sheet

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

Consolidated statement of changes in equity

	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**
Audited								
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	-	-	-	172	-	-	-	172
At 31 January 2018	**2,078**	**-**	**-**	**433**	**-**	**(4,236)**	**24,127**	**22,402**
Unaudited								
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	**138**	**1,058**	**-**	**-**	**-**	**-**	**-**	**1,196**
Lapsed share options	**-**	**-**	**-**	**(310)**	**-**	**-**	**310**	**-**
Share-based payment expense - continuing operations	**-**	**-**	**-**	**(38)**	**-**	**-**	**-**	**(38)**
Share-based payment expense - discontinued operations	**-**	**-**	**-**	**43**	**-**	**-**	**-**	**43**
At 31 January 2019	**2,216**	**1,058**	**-**	**128**	**406**	**(4,236)**	**23,838**	**23,410**

Consolidated statement of cash flows

	Note	Unaudited 2019	Audited 2018
		£'000	£'000
Cash from operating activities			
Cash generated from operations	4	**(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)	5	**(3,965)**	(1,249)
Payments for property, plant and equipment		**(245)**	(395)
Payment of software development costs		**(1,872)**	(1,408)
Proceeds from sale of Systems Integration and Managed Services divisions (net of cash disposed)	6	**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		**-**	1,150
Repayment of borrowings		**(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		**8,053**	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.

Notes to the financial statements

1. 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 nature of the Group's operations and its principal activities are set out in the strategic report.

The financial information, which is unaudited, for the year ended 31 January 2019 does not constitute the statutory accounts of the Group for the relevant period within the meaning of section 434 of the Companies Act 2006. Such statutory accounts will be completed in due course and delivered to the Registrar of Companies. The annual report and accounts will be made available on the Company's website in due course.

The financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the Group operates.

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.

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.

2. Segmental reporting

2(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 systems integration services in the UK.

Unless otherwise indicated the segmental information reported on the following pages does not include any amounts for discontinued operations, which are described in more detail in note 6.

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 below.

2(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 impairments where the impairment is the result of an isolated non-recurring event. 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.

	Unaudited 2019	Audited 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

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

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

Unaudited 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)

Audited Year ended 31 January 2018	Software Division UK	Software Division New Zealand	Hardware and Systems Integration	Central operating costs	Total
	£'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 profit/(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 profit/(loss)	1,204	-	22	(1,847)	(621)
Net finance cost	(17)	-	(11)	(92)	(120)
Profit/(loss) before taxation	1,187	-	11	(1,939)	(741)

2(d) **Other profit and loss disclosures**

Unaudited Year ended 31 January 2019	Depreciation and amortisation	Impairment of intangible Assets	Income tax expense
	£'000	**£'000**	**£'000**
Software	705	297	(720)
Hardware and Systems Integration	58	-	0
Unallocated items	10	-	(1,010)
Total	773	297	(1,730)

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

2(e) **Segment assets**

	Unaudited 2019		Audited 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 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.

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

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

2(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.

	Unaudited 2019	Audited 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

3. Revenue from contracts with customers

3(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

Unaudited Year ended 31 January 2019	Software UK	New Zealand	Hardware and systems integration 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**

Audited Year ended 31 January 2018	Software UK	New Zealand	Hardware and systems integration 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.

3(b) 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 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 balance sheet.

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 at 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 Hardware and Systems Integration division or as part of a contract for software through its Software division. Revenue is recognised 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 is 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.

3(c) 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.

4. Cash generated from operations

	Unaudited 2019 £'000	Audited 2018 £'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 Swiped On 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)

5. Business combination

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:

	Unaudited
	£'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 (£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:

	Unaudited 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)
Contract liabilities – 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.

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.

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 2016.

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 be fair return on the intangible assets.

The acquired business contributed revenues of £272,000 and a net loss after tax of £265,000 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.

6. Discontinued operations

6(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 this 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:

6(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:

	Unaudited 2019	Audited 2018
	£'000	**£'000**
Revenue	**25,495**	41,437
Expenses	**(24,997)**	(39,248)
Profit before loan waiver	**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 6 (c))	**2,945**	-
Net profit attributable to discontinued operations	**1,884**	1,873

	Unaudited 2019	Audited 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 I cash generated by the subsidiaries	**15,881**	(939)

6(c) Details of the sale of subsidiary

	Unaudited 2019	Audited 2018
	£'000	**£'000**
Consideration received or receivable		
Cash	**20,600**	-
Contingent consideration	**1,000**	-
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:

	Unaudited 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

7. Earnings per share

7(a) Basic (loss)/earnings per share

	Unaudited 2019	Audited 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)/earnings per share attributable to the ordinary equity holders of the Company	(2.83p)	7.69p

7(b) Diluted (loss)/earnings per share

	Unaudited 2019	Audited 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 l(loss)/earnings per share attributable to the ordinary equity holders of the Company	(2.83p)	7.69p

7(c) Reconciliation of (loss)/earnings used in calculating earnings per share

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

	Unaudited 2019	Audited 2018
	£'000	**£'000**
Basic earnings per share		
(Loss)/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		
(Loss)/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
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	(599)	1,509

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

	Unaudited 2019	Audited 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

7(d) 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.

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.

7(e) Alternative measure of earnings per share

	Unaudited 2019	Audited 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

8. Events occurring after the end of the reporting period

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

9. Annual General Meeting

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