SMARTSPACE SOFTWARE PLC

Annual Report

for the Year Ended 31 January 2020

Contents

What we do

SmartSpace Software Plc develops and sells SaaS software solutions to help clients manage their workspaces.

We do this by offering cloud-based SaaS software solutions and complimentary hardware to allow:

- Desk booking
- Meeting room management
- Visitor management
- Concierge
- Analytics

We differentiate ourselves by offering products that are fast to deploy and easily configured by our customers or partners.

Our three operating business are:

SPACE CONNECT

Integrated desk, meeting room and visitor management software aimed at mid-market customers

swipedon

Innovative visitor management for all sizes of organisations from SMEs to international multi-site businesses

A+K

Specialist integrator and distributor of smart workplace technology including sensors and meeting room panels

Our locations

Our head office is located in Mildenhall, UK where we service our UK based customers and provide online technical support to customers in Europe and West coast US. We have a sales office in Austin, Texas to sell to and support US customers. The Group's development hub is located in Taurunga, New Zealand where SwipedOn is located.

Our history

2000

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

2013

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

2014

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

2015

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

2016

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

2017

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

2018

June 2018 disposed of the systems integration and managed services divisions to focus on software specialising in space management.
July 2018 renamed RedstoneConnect as SmartSpace Software plc.
October 2018 acquired SwipedOn, a leading SaaS provider of visitor management software.

2019

November 2019 acquired Space Connect, a self-service SaaS workspace management platform

2020

August 2020 disposed of Enterprise software division to allow focus on SaaS sales to the SME and mid-market
September 2020 over 4,500 SaaS customers in more than 6,300 locations

Our Customers and Market

Space Management is a fast-growing market as businesses seek to both optimise their corporate real estate and create engaging workplace for their employees and visitors.

Traditionally, organisations have viewed real estate as a fixed cost but now software can help optimise their corporate real estate. Using technology provided by SmartSpace occupiers can achieve more efficient use of their desk space and meeting rooms.

Our clients use SmartSpace solutions to introduce agile working (also referred to as 'hot desking') allowing them to ttransition from a static to a dynamic, collaborative workplace, creating a better environment for their employees. Real-time analytics from these technologies help occupiers better understand how their office space is utilised.

These solutions are even more relevant in the Covid-19 world we now all live in. At reception companies need to have effective pre-screening of visitors with contactless check-in for guests. As a result of Covid-19 many companies are reducing their real estate footprint so effective desk booking and occupancy monitoring ensures their employees are accommodated when onsite. There is also increasing demand for solutions that can help enforce social distancing, record in-house contact tracing and ensure meeting room and workstation hygiene is effectively managed.

We focus primarily on selling to small to and medium sized enterprises, targeting business with up to 1500 employees per location. Our route to market is both direct and via partners.

Both SwipedOn and Space Connect operate globally and have customers in most business sectors.

Over
4,560
customers in
73
Countries*

Over
6,366
locations use SmartSpace solutions*

We have customers in
48 of the 50
states in the USA*

Skyscanner

With over 800 employees, Skyscanner is a market leading travel search site and initially implemented SwipedOn three years ago. They needed a system to securely store visitor data, minimise visitor waiting time and the need to track who is in the building.

"We love SwipedOn so much that we rolled it out to two more offices, our brand new London office and Glasgow. It's a great tool for our receptionists."

Gonzalo
Reception & Office Manager, Skyscanner

*at 30 September 2020

Chairman's statement

The year ended 31 January 2020 and the period subsequent to the year-end have seen the transformation of the Company's software business from one focusing on universal customers, to a cloud-based SaaS software business focusing on SME customers. Following the disposal of the Systems Integration and Managed Services divisions in May 2018 the Group developed its software business targeting both SME and enterprise customers. This transition necessitated a significant investment in software development over the last two years, and whilst the Group was able to announce some significant contracts within its enterprise software division, the financial performance did not meet the board's expectations. The relatively small size of the Company furthermore made it difficult to secure as many enterprise contracts as the Company needed to reach a break-even position. The Board has said for some time that it sees the greatest potential in the SaaS market where revenues are more predictable and margins more attractive. As a result, the Board decided to sell the enterprise software division to generate additional capital to accelerate the growth of its SaaS business.

Development of the SaaS business

During the year ended 31 January 2020, the Company made significant progress in developing its SaaS business, both organically and through acquisition. SwipedOn, which was acquired in October 2018, grew its annual recurring revenues by 93% during the year to NZ$3.6m, and, at 31 January 2020 had 3,896 customers operating out of 5,280 locations (January 2019: 2,713 customers in 3,590 locations).

In November 2019 the Group acquired Space Connect Pty Limited for a total consideration of AUD $6.0 million (approximately £3.2 million), which was satisfied by the issue of up to 2,026,234 ordinary shares of 10 pence each in the capital of the Company and cash of £1.6m. Space Connect's cloud-based platform offers room booking, desk booking, visitor management, catering and workplace analytics. This 'out of the box' functionality is quick to deploy, easy to configure and allows SmartSpace to accelerate the development of its mid-market business. The ease of configuration also allows Space Connect to sell through channel partners and with channel partnerships already established, opens international sales opportunities.

The acquisition of Space Connect has enabled the Company to offer a full range of cloud-based space management software which can either be sold directly to the end customer or through the Company's international distributor network. Whilst there will be ongoing development in the product, the Company has a stable product offering which provides comprehensive services to its target customer base.

Sale of Enterprise Software Division

In line with the Board's strategy of focusing the software business on a SaaS model, the Board decided to sell the Enterprise software division and redeploy the sales proceeds in growing the SaaS business. This was achieved after the year end but as the decision to sell the business was taken prior to 31 January 2020, the Enterprise software division is treated as a discontinued business in the accounts. On 13 August 2020 SmartSpace completed the sale of the entire issued share capital of SmartSpace Global Ltd and certain contracts of its US subsidiary (which together comprised the Enterprise software division) to Four Winds Interactive, for an initial consideration of £4.6m, payable in cash on completion, together with a further deferred payment of £0.4m, payable on receipt by those companies of R&D tax credits. The Enterprise software division had 38 employees and operated out of two locations. Its revenues for the year ended 31 January 2020 were £2.2m and the operating loss of the business in that period was £5.8m. At the date of sale, the unaudited proforma net assets being disposed of were approximately £5.8m. The sale and purchase agreement contains warranties and indemnities by the Company usual for a transaction of this nature and a covenant by the Company not to compete in the enterprise meeting room and desk management software sector for a period of 3 years from completion.

Immediately following the sale, the Group had cash of £5.9m.

Outlook

Since the year end, the world as we all knew it has changed almost beyond recognition as a result of the covid-19 crisis, and it is not clear that it will ever be the same as it was before the pandemic. The primary concern of the Board has been the health and safety of our employees. I am proud of the way they adapted to working from home while our offices were closed and thank them for their efforts over what has been a difficult period for everybody.

Covid-19 may change our working practices indefinitely and has certainly focused company management's attention on efficient and safe use of their office space. It is our belief that space management software will become an increasingly important tool to manage office space and this will therefore generate significant opportunities for the Group. Recognising the additional obligations imposed on employers to safeguard their staff and visitors, as an agile business, we have already introduced software to help small businesses manage the risks involved with safeguarding staff and visitors coming into the office in the new post covid-19 work environment.

With a significantly reduced fixed cost base and strengthened balance sheet, the Group is well positioned to exploit the opportunities the management believe exists for its SaaS products. The Group is now well positioned to enter into a new period of sustained and secure growth.

Guy van Zwanenberg
Chairman

5 October 2020

Strategic report: Strategy and operational review

The Directors present their strategic report on the Group for the year ended 31 January 2020:

Business model and strategy

The Group's business model is to provide cloud-based software services and complimentary hardware solutions to enable an international SME client base to optimise the use of their real estate and other workspaces.

The Board believes that technology driven changes in working practices continues to generate demand from all industry sectors. The onset of Covid-19 has further increased the need for technology to enable companies to more effectively control the use of meeting rooms and desks in the offices as well as manage visitors to their premises. Following the sale of the enterprise software division the purpose of the Group is to fulfil the needs for SME businesses and in order to do so the Board has set the following strategic priorities:

- to focus on delivering pure SaaS revenues where the Group is not overly exposed to one market or customer;
- to develop technology-led intellectual property to help SME companies optimise use of their corporate real estate focussing on rooms, desks and visitors and provides businesses with a means to implement and manage Covid-19 policies in the workplace;
- to develop new sales channels to market for our software solutions by establishing a global network of channel partners;
- to bring together the technologies of Space Connect and SwipedOn in order to create an integrated product;
- 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 will, in turn, improve cash generation.

We believe the office real estate market will continue to evolve as working practices change and there is greater use of technology in the office space which businesses provide for their employees. Faced with challenges of rising costs of office space in major global cities and the impact of Covid-19, 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. Many businesses have indicated that they plan to reduce their real estate footprint following lockdown. This change will stimulate demand for SmartSpace solutions and our technology will allow employees to book desks for times they are in the office and to coordinate meetings between participants in the office and those working remotely. The strategy for our Software division is to focus on developing our software to take advantage of the opportunities afforded by this fast-growing market.

Review of the continuing business

During the financial year ended 31 January 2020 the Group made progress towards achieving its strategic goals. The Group completed the acquisition of Australian based Space Connect which offers a cloud based self-serve workspace management solution specially suited to mid-size market customers. Space Connect is now targeting customers around the globe and its management and operations have moved to the Group's head office in the UK following which the business no longer has an operation in Australia. Space Connect was acquired in November 2019 and as a nascent business, it did not have a substantial customer base at the time of acquisition, accordingly it has made limited contribution to the FY20 results. The Group is in the process of establishing new indirect sales channels for Space Connect through a network of partners to allow Space Connect to generate fast growing high margin revenues. The Company has already signed a number of distribution agreements allowing partners to resell its workplace management solution including an agreement with Softcat, one of the UK's leading System Integrators.

Space Connect has also agreed a partnership agreement with Evoko, a leading manufacturer of meeting room panels. As well as offering enhanced meeting room functionality built into the new Naso panel, Evoko will offer integrated software on a subscription basis enabling users to manage room bookings via Microsoft Outlook and a new Naso App. In addition, users can subscribe for additional modules to help them manage desks and provide visitor management functionality, giving customers a completely integrated workplace management solution. Under the agreement Space Connect will receive a share of the revenue from both the sale of Naso panels as well as SaaS software subscriptions for meeting room bookings, desk management and visitor management.

SwipedOn, our visitor management software, acquired in October 2018 had an outstanding year. It continued to sell its products through digital marketing campaigns focussed primarily on English speaking markets including the US, Canada, UK, Australia and New Zealand The SwipedOn customer acquisition model is based around offering a 14 day free trial period where customers access the full features of the product. There are currently three packages with tiered pricing based on functionality and locations with a series of optional add-on modules covering SMS messaging, deliveries and catering. During FY20 the product roadmap focussed on add-on modules and location-based settings. However, the emphasis of our software development changed with Covid-19 as we developed Covid-19 specific functionality including contactless sign-in and pre-screening questionnaires. With Covid-19 there in an increased requirement for businesses to maintain contact details for all visitors to their premises for the purposes of in-company contact tracing. This market need has increased the opportunities for SwipedOn as countries reopen for business.

As can be seen below, SwipedOn's key performance indicators showed significant growth in 2020, with its annual recurring revenues at 31 January 2020 93% higher than the previous period end. This was achieved through a combination of new customer acquisition, cross selling new modules into the existing customer base as well as increasing the subscription fees, the latter being achieved with very little impact on the company's churn rate.

As a fast-growing SaaS business SwipedOn measures its performance on established metrics for such businesses. The table below sets out a selection of these key measures.

SwipedOn key performance indicators	31 Jan 2020	31 Jan 2019
Number of customers	**3,896**	2,713
Number of customer locations	**5,280**	3,590
Monthly average revenue per user (ARPU)	**NZ$78**	NZ$58
Annual recurring revenue (ARR)	**NZ$3.64m**	NZ$1.89m
Annual revenue churn	**4.25%**	5.32%
12 month average customer acquisition cost (CAC)	**NZ$1,144**	NZ$1,207

During FY20 SwipedOn added 1,431 new customers resulting in a net increase in customers of 43% from 2,713 to 3,896. This increase coupled with the implementation of new pricing and the addition of add-on modules has led to a 34% increase in ARPU (average revenue per customer per month) over the course of the year, and an increase of 93% in the ARR (annual recurring revenue) at the end FY20 to NZ$3.64mm from NZ$1.89m at the end of FY19. One of the strengths of the business is a very high level of customer satisfaction with an NPS (Net Promoter Score) averaging 56 in FY20 and leading to an average annual revenue churn of 4.25% during FY20. This is further evidenced by the Net Revenue Retention of 128% following the introduction of new pricing in FY20.

The average CAC (Customer Acquisition Cost) which includes the costs of all sales and marketing staff as well as direct marketing costs has remained at a similar level despite the fact that the popularity of some Google Ad words has increased and the company achieves a very healthy average LTV (Life Time Value) to CAC ratio.

The third arm of the Group's business is Anders & Kern, our specialist distributor and integrator of AV solutions such as meeting room booking solutions, workplace sensors and digital signage. This includes an agreement with Evoko to distribute the current generation of Evoko meeting room panels, Liso. Anders & Kern will also distribute the Naso panel, and the associated software developed by Space Connect to operate in conjunction with the panel. We have broadened the portfolio of products and services offered by Anders & Kern and we recently announced that we have signed distribution and resale agreements focusing on workplace optimisation solutions. The Anders & Kern established network of 200 resellers is strategic to the development of the market for Space Connect in the UK.

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 £0.77 million in further enhancing the software solutions of our continuing businesses. This has included development of new add-on modules for SwipedOn including Deliveries, Catering and SMS. By the end of FY20 we had also almost completed the development of our white labelled version of Space Connect for use by Evoko in their new meeting room solution, Naso.

Since the end of the financial year Space Connect has developed and released additional features to help customers manage and implement their workplace Covid-19 policies. These features include tools to help users to enforce social distancing in offices, record and manage office sanitisation, and contract tracing of employees and visitors.

People

The people who work for the Group are the most important determinant of our success. It is therefore crucial that we select the right people and ensure they are motivated and happy within their roles. During the past year we have implemented group wide human resource management tool to facilitate communications and foster a sense of group belonging. We have strengthened our employee appraisal processes and commenced employee satisfaction surveys.

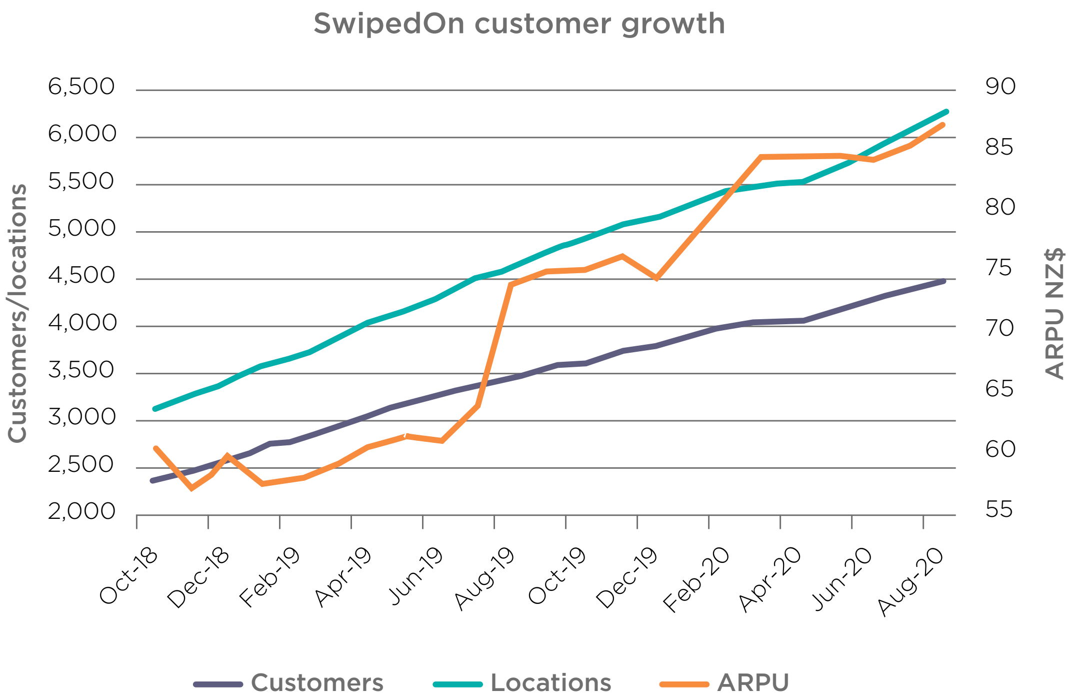
Future developments and outlook

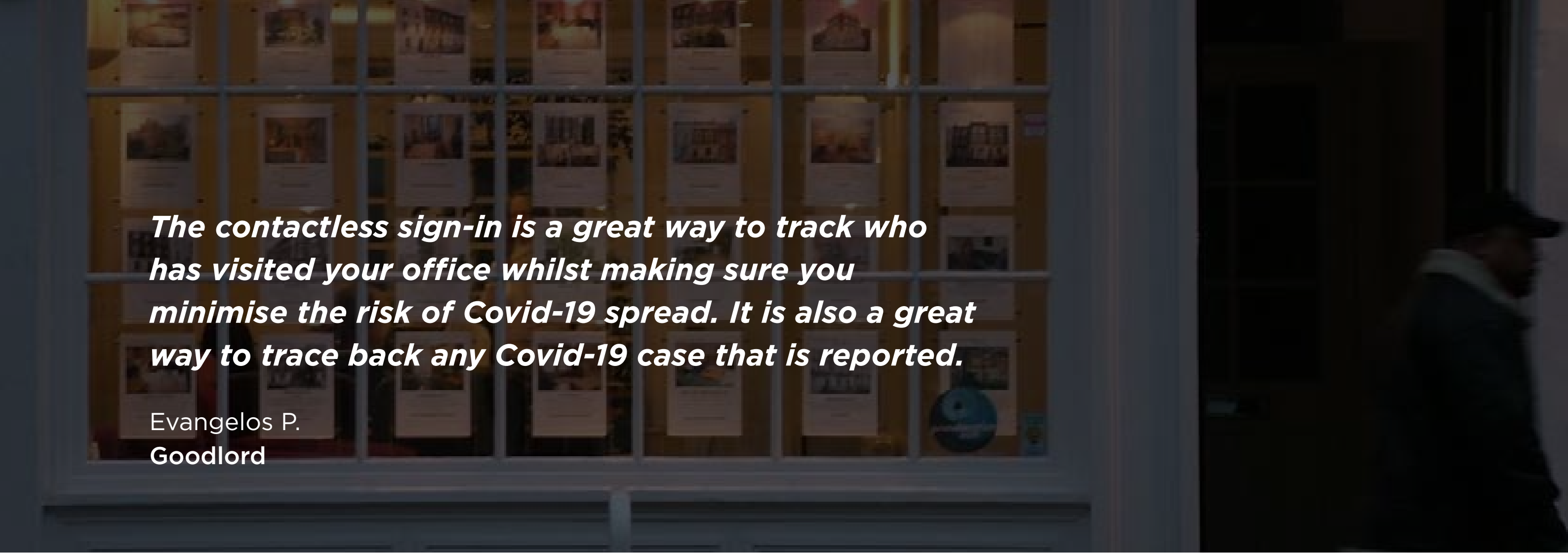
Whilst the coronavirus pandemic makes any assessment of the future uncertain and will inevitably continue to pose challenges for the Company's operations and those of our clients, the Board believes that it will also continue to create opportunities. We believe that the Company's product offerings will form part of the solution to help our customers stay operational and deal with the varying impacts of the virus on their staff, customers and respective work environments. Both of our software businesses have already developed and launched new functionality to address the evolving needs of businesses in the post Covid-19 world. SwipedOn now allows for contactless visitor registration and pre-screening questionnaires. Space Connect has developed and released additional functionality to help customers manage and implement their Covid-19 policies. These features include tools to help users to enforce social distancing in offices, record and manage office sanitisation, and contract tracing of employees and visitors. We expect working practices will change at a faster rate than pre Covid-19 with staff expecting to work from home more regularly, while businesses will see the productivity benefits of flexible working. This will allow workspaces to become more dynamic environments where management of space and analytical information will become key to taking advantage of the reduced overhead available through these changes. Ensuring Space Connect offers features to help companies implement and manage Covid-19 policy through integrations with remote working tools including Microsoft Teams and Zoom, will help make our expanded product offering a 'must have' rather than a 'nice to have'.

New sales channels for Space Connect are expected to contribute towards revenue in FY21. The Group's first white label version of its software will soon be sold through a strategic partner, Evoko. Further distribution channels are being established to sell our software to customers internationally. Post period end we announced that we had signed a distribution agreement with Esco, headquartered in Singapore and operating across the Far East with offices in The Philippines, Vietnam and Taiwan.

SwipedOn has grown at a consistent rate since it was acquired in October 2018 and is now cash generative. We continue to invest in customer acquisition to accelerate the growth of SwipedOn and therefore cement its place in the market. Continuous improvements to the product through add-on modules enable revenue per user to be increased at a low cost. At the point of acquisition, the largest single SwipedOn customer had 45 locations, today our largest customer has over 150 locations. We aim to further increase the number and size of these multilocation customers through further enhancing the functionality within the software and targeted sales and marketing activity. SwipedOn is well established in the major English-speaking markets of the US, UK, Canada, New Zealand and Australia and there is extensive growth potential in non-English speaking markets. We will continue to invest in our platform to ensure it is ready for this expansion.

The growth in SwipedOn customers has continued into FY21 despite the impact of the pandemic. The company had 4,471 customers and 6,242 locations at the end of August 2020 which represents growth of 15% and 18% respectively in the year to date. This is despite an expected increase in churn as a result of Covid-19. Monthly ARPU has increased by 12% to NZ$87 and ARR has grown from NZ$3.6m to $NZ4.7m. When the pandemic first hit, we reduced marketing spend at SwipedOn which meant that the business was cash generative during FY21.





The contactless sign-in is a great way to track who has visited your office whilst making sure you minimise the risk of Covid-19 spread. It is also a great way to trace back any Covid-19 case that is reported.

Evangelos P.
Goodlord

To ensure the Company is well positioned to take advantages of new market opportunities, the Company has established new distribution agreements with channel partners and strategic partnerships with industry participants. On 31 July 2020, we announced that Space Connect had signed a new distribution agreement with Softcat, a major UK-based software integrator which has already started to generate new sales for the Company.

Continuing operations within Anders & Kern throughout the coronavirus lockdown has been challenging due to the requirement to be on site to carry out hardware installation. However, we took steps to reduce the operating costs of the business during the lockdown through the Government's job retention scheme with the majority of staff put on furloughed leave until our customers reopened and order intake increased. As we moved through the summer activity has increased further and assuming there are no further nationwide lockdowns, we expect this momentum to continue. Our intention is to reposition A+K away from its traditional offering for mainly audio-visual hardware to providing a 'one-stop shop' for digital workplace solutions, including space management software and hardware such as temperature readers for the workplace. We used the time during the lockdown to sign distribution agreements with new suppliers of this smart workplace technology. Where possible we try to supply products that integrate with Space Connect and the A+ K network of over 200 resellers will be an important route to market for Space Connect. During this period, we have also evolved the customer support team at A+K to support SwipedOn customers. It is also our intention that this team will also start to provide technical support for Space Connect for hardware which integrates with SmartSpace's software solutions. We intend to focus on becoming a specialist supplier of Smart Building technologies offering both hardware and software solutions.

Following the sale of the Enterprise software division in August 2020, the fixed costs of the Group have reduced considerably, and the Company has additional funds to grow its SaaS business. SwipedOn is already generating cash for the Group and the Board expects Space Connect to become cash generative once sales from our partnership with Evoko and partners such as Softcat start to flow.

Despite the difficult economic backdrop, with the wide range of opportunities open to the Company, the Board views the future with confidence. The international spread of our customer base is a strength in today's market evidenced by the fact that whilst growth in the UK and US was challenged by Covid-19 our business in Australasia grew. Although we already have customers in 73 countries, we are eager to enter new markets with local language versions.

We completed this financial year not knowing what was coming down the line with Covid-19. We have weathered the economic storm by taking steps to reduce our cost base which helped us minimise the financial impact of Covid-19. Exiting the enterprise software market means that we can now channel our efforts into scaling a focused SaaS business, offering only Cloud solutions. The self-configuration capability of our software and working through partners means we no longer have to make the significant investment in implementation consultancy. We will continue to focus on reducing our fixed costs and a key part of this strategy will be to concentrate our software development activity in New Zealand. Our indirect route to market for Space Connect, working through partners around the globe, does not require the considerable investment of a direct sales model.

It is our belief that our strategy of not being overly dependent on any one geographic market, vertical market or customer will allow us to build a robust SaaS business. There are considerable opportunities for growth – increasing ARPU by upselling additional subscriptions and multiple locations and cross selling other products to those existing customers and entering new geographic markets.

The sale of our Enterprise software division means we believe we have sufficient financial resources to execute on these plans without further recourse to shareholders.

Frank Beechinor
Chief Executive Officer

5 October 2020

Strategic report: Financial review

Overview

In January 2020 the Board decided to commence a process to dispose of its investment in the Group's Enterprise software division. After delays caused by Covid-19 the process completed in August 2020. As a result, the business segment has been classified as a disposal group with the financial performance for both the current and comparative periods being included within discontinued activities in the income statement. Assets and directly associated liabilities of the disposal group are classified as held for sale on the balance sheet for the current period only.

Revenue

The breakdown of Group revenues generated by continuing operations is as follows

	2020	2019
	£'000	**£'000**
Recurring revenues		
- SwipedOn	**1,305**	268
- Space Connect	**16**	-
- Anders & Kern	**139**	88
Total recurring revenue	**1,460**	356
Hardware revenue		
- SwipedOn	**20**	1
- Space Connect	**17**	-
- Anders & Kern	**3,406**	2,508
Total hardware revenue	**3,443**	2,509
Other revenue	**179**	94
Total revenue	**5,082**	2,959

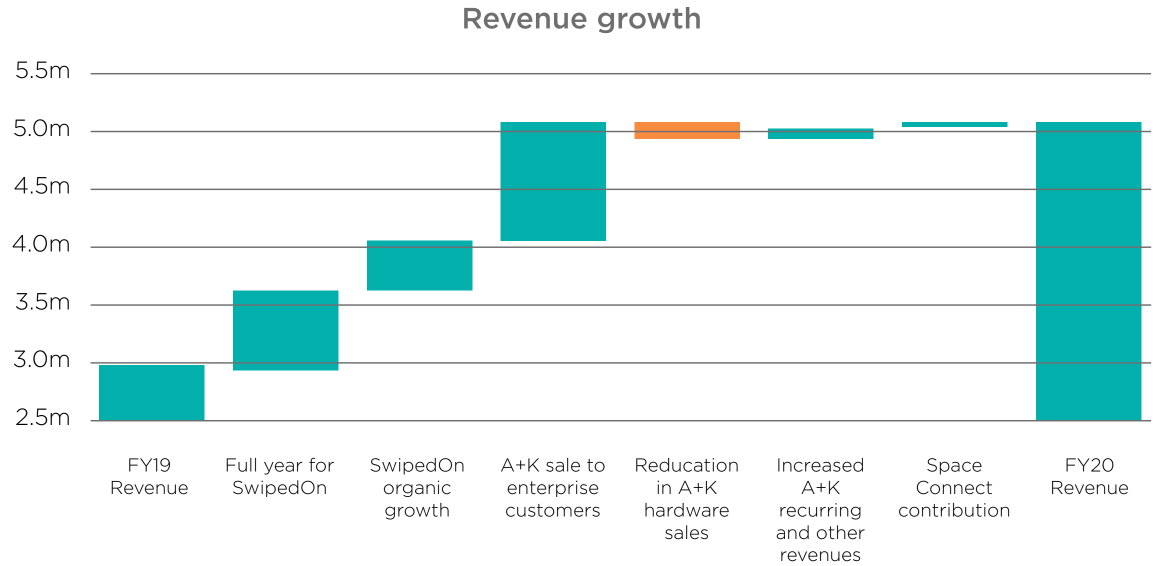
Recurring revenue comprises contractual fees for ongoing software and services including SaaS, hosting and software support. Non-recurring revenue is all revenue other than recurring revenue and for the continuing group, primarily comprises hardware.

Growth in revenue was largely due to increased contribution from SwipedOn through a full year's results being included (FY19 included only 3.5 months post acquisition SwipedOn revenues) together with organic revenue growth. The full year SwipedOn revenue for FY20 was NZ$2.64m, 80% higher than the FY19 revenues of NZ$1.47m.

Anders & Kern also contributed to revenue growth as a result of hardware sales generated from the Group's Enterprise software division customers. Out of the total £3.7m Anders & Kern revenues £1.0m was generated from the Enterprise software division customers. No contribution was retained within Anders & Kern, (the benefit being transferred completely to the discontinued Enterprise software division) therefore although revenues may decline in FY21, there would be no impact on contribution resulting from the sale of the Enterprise software division but gross margins will benefit. The pro forma gross margin on the continuing business is shown on page 13.

The contribution from Space Connect to group revenues was limited due to the acquisition only taking place in November 2019 and the full launch of Space Connect products through a new distribution channel commencing in FY21.

The contributors to the growth in the Group's revenues compared to the prior year are shown below:



Gross profit

Gross profit on continuing operations is broken down by revenue stream below:

	2020	2020	2019	2019
	£'000	**% GP**	**£'000**	**% GP**
Gross profit from recurring revenues				
- SwipedOn	**1,113**	**85%**	245	91%
- Space Connect	**16**	**100%**	-	-
- Anders & Kern	**111**	**80%**	63	72%
Total	**1,240**	**85%**	308	87%
Gross profit from hardware revenue				
- SwipedOn	**-**	**-**	-	-
- Space Connect	**13**	**78%**	-	-
- Anders & Kern	**687**	**29%**	713	28%
- Anders & Kern (enterprise customers)	**-**	**-**	-	-
Total	**700**	**20%**	713	28%
Gross profit from other revenue	**128**	**72%**	90	95%
Total gross profit	**2,068**	**41%**	1,111	38%

The increase in overall gross profit from 38% to 41% reflects the increased revenue contributions from SaaS recurring revenues. This has been counteracted by hardware sales made to the group's Enterprise software division customers whereby the margin is recorded in the discontinued business with zero margin recorded for Anders & Kern. Excluding these Enterprise software division sales, the Group's gross profit margin would have been 51% in FY20 with minimal impact in FY19.

Administrative expenses

Administrative expenses on continuing operations have increased by 35% to £4.3m (2019: £3.2m) as detailed in the table below.

	2020	2019
	£'000	**£'000**
Research and development	**758**	164
Less capitalised development	**(130)**	(10)
Sales, general and administrative expenses	**3,191**	2,746
Share based payment charge	**88**	(59)
Depreciation and amortisation	**201**	93
Reorganisation and transformation costs	**199**	255
Total	**4,307**	3,189

The increase is largely due to the full year inclusion of SwipedOn and partial inclusion of Space Connect in FY20 compared to FY19, which only included results for SwipedOn from the date acquisition in October 2018.

Taxation

The taxation credit on continuing operations of £468,000 comprises principally of a credit of £33,000 relating to R&D tax credits together with £435,000 of deferred tax credits representing tax losses recognised as an asset in the balance sheet.

Earnings per share

The loss per share from continuing operations was 8.05p (FY19: loss per share 4.82p) and the total loss per share was 41.7p compared with loss per share of 2.83p for FY19.

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 6.67p (FY19: loss per share 3.91p).

Intangible assets and goodwill

Group intangible assets increased by £3,459,000 through the acquisition of Space Connect (£3,329,000) and investment in internally generated software (£130,000). As part of the classification of Smartspace Global as a discontinued activity, intangible assets of £3,515,000 were transferred to assets held for sale. In order to account for the disposal group at fair value less cost to sell an impairment of £2,669,000 was recorded against intangible assets in the disposal group. Amortisation of intangible assets used in the continuing business totalled £122,000. Intangible assets denominated in currencies other than pounds sterling decreased in value by £566,000 due to movements in exchange rates.

Financial position

During the year the continuing business entered into lease contracts which were accounted for under IFRS 16 therefore resulting in end of year right-of-use assets of £164,000 and corresponding lease liabilities of £179,000. The Group was not party to any long-term leases in the prior year and therefore no adjustments to opening balances or prior balances were required.

Contract liabilities decreased to £641,000 (2019: £754,000) due to the counteracting effects of the classification of SmartSpace Global as a discontinued activity and increased annual subscriptions received by SwipedOn. At the period end contract liabilities related solely to SwipedOn's deferred revenues amounted to £556,000 (2019: £309,000).

The consideration for the acquisition of Space Connect was settled 50 per cent in cash, 33 per cent through an immediate issue of shares in Smartspace Software plc, and a further 17 per cent through a deferred issue of shares in Smartspace which will take place in April 2021. In accordance with IAS 32, the deferred share consideration has been treated as equity and recognised in a new reserve created for this purpose.

Borrowings of £401,000 (2019: £426,000) relate to a mortgage on the Group's freehold property in Mildenhall where Anders & Kern are based. The mortgage is due for repayment in January 2021 and therefore classified as a current liability however the Group anticipates that the mortgage will be renewed rather than repaid.

Cash flow

Cash and cash equivalents decreased during the year to £2,587,000 (2019: £8,053,000).

A net cash outflow from operating activities of £5,899,000 (2019: £3,469,000) comprised of an outflow from continuing operating activities of £1,849,000 and an outflow from discontinued activities of £4,050,000.

The net cash outflow from investing activities of £2,807,000 (2019: inflow £9,951,000) included £1,589,000 cash paid for the acquisition of Space Connect together with £1,688,000 of internal software development costs (£130,000 of which related to continuing operations). A further £280,000 was invested in property plant and equipment (£49,000 of which related to continuing operations). Offsetting these amounts was £750,000 received as contingent consideration from the FY19 disposal of the Systems Integration and Managed Services Division.

Proceeds from financing activities amounted to £3,137,000 (2019: outflow £1,800,000) which was mainly made up of share placing proceeds from the November 2019 placing of 4,747,587 new ordinary shares issued in connection with the acquisition of Space Connect at 72.5 pence per share less share issue costs. A further £25,000 was used to repay bank borrowings and £85,000 to repay the principal element of finance lease liabilities.

Discontinued activities

Loss from discontinued activities before income tax amounted to £5,759,000 (2019: £1,606,000). For the year ended 31 January 2020 this represents the trading loss from the Groups Enterprise Software division. In accounting for the allocation of the Enterprise Software division as a disposal group we are required to value the assets of this business at their fair market value less estimated costs to sell. As a result an impairment of £2,669,000 was recorded against these assets and the charge accounted for within discontinued activities. Research and development tax credits in the disposal group of £455,000 were recorded in the period. The overall loss from discontinued operations for the year was £7,973,000 (2019: profit £423,000). The post balance sheet event note details the final financial impact of the disposal on the Group.

Dividend policy

The Group reported a retained loss of £9,882,000 (FY19: loss of £599,000), which has been transferred to reserves. At 31 January 2020, the Company had retained earnings of £13,956,000 (FY19: £23,838,000). The Board considers that it is in shareholders' best interests to retain resources in the Group. 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

5 October 2020

Strategic report: Principal risks

Principal risks and uncertainties

The Group could potentially be affected by a number of uncertainties and risks that are not wholly within its control. These uncertainties and risks, together with an explanation for how such uncertainties and risks are managed and the key mitigations available to the Group are described below.

Impacts of Covid-19

The full long-term economic implications of the Covid-19 pandemic are not yet known. Workspaces throughout the world have been closed and a severe global economic recession is expected. Supply chains and transportation networks are being disrupted which may impact future performance of the business. In order to mitigate these risks government financial support has been received in the UK and New Zealand. Employees have been successfully working from home and expense reduction initiatives have been implemented. Whilst the ability of customers to pay for products may impact future revenues, the Board believes that technology will be key part of the solution to Covid-19 related challenges, and its products will form a key part of the solution to social distancing challenges within workspaces and beyond. Covid-19 is rapidly changing the way businesses work which the Group is addressing by adding additional Covid-19 related functionality to its products. The Board therefore consider that the economic impact of Covid-19 is significantly mitigated.

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

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

Reliance on key personnel and management

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

Technological change and competition

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

Sales and channel development

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

Accreditations and industry standards

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

IP protection

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

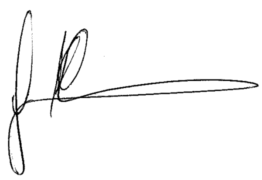
Post-acquisition risk

The Board's stated strategy is to grow the Group both organically and, where appropriate, by acquisition. Integrating new acquisitions involves risk resulting from poor communication, inadequate business processes, loss of staff, loss of clients and other factors. Therefore, integration risk is assessed and managed by both Executive Directors and senior management.

Going concern

The Group continues to make losses as a result of its current lack of critical mass. The Board has taken steps to reduce the Group's overhead base and the recent sale of the Enterprise software division has realised capital which the Board expects will be sufficient to support the Group until it becomes cash generative without further recourse to shareholders. On this basis, the Group's accounts have been prepared on the going concern basis.

The Strategic Report, comprising the Strategy and Operational Review, Financial Review and Principal Risks was approved by the Board on 5 October 2020 and signed on its behalf by:



Frank Beechinor
Chief Executive Officer

5 October 2020

Strategic report: s172 Statement

This section serves as our section 172 statement and forms part of the Strategic Report and should be read in conjunction with the Corporate Governance Report.

Under Section 172 of the Companies Act 2006 the Directors have a duty to promote the success of the company over the long term for the benefit of its shareholders as a whole having regard to a range of other key stakeholders' interests. The Directors must have regard (amongst other matters), to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- and the need to act fairly with members of the Company.

Information on our key stakeholders including why we engage, the type of engagement, and issues relevant to each stakeholder group, are set out on page 21.

The Board is responsible for the overall direction of the Group. It focuses primarily upon strategic issues and is responsible for the Group's long-term success. It sets the Group's strategy, oversees the allocation of resources and monitors the performance of the Group, to ensure that the Group is structured appropriately for the challenges and opportunities of the future. In performing these duties, the Board is focussed on the sustainability of the Group in the long term. The Board recognises the need for the Group to have effective engagement with, and encourage participation from, all key stakeholders to promote these long-term interests.

Typically, in a company such as SmartSpace, the Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to the employees of the Company. The Board recognises that such delegation needs to be part of a robust governance structure which covers how we engage with our stakeholders and how the Board assures itself that the governance structure and systems of controls continue to be robust.

The Chairman, with the assistance of the Company Secretary, sets the agenda for each Board meeting to ensure the requirements of Section 172 are always considered and met through a combination of the following:

- Standing agenda points and papers considered at each meeting with the CEO and CFO presenting updates on the financial overview, operational progress, business development, strategic progress and investor relations. The Board also considers relevant corporate governance and compliance matters.
- Formal consideration of any factors which are relevant to major decisions taken by the Board throughout the year.
- Review of topics through the risk management process and other standard Audit Committee and Remuneration Committee agenda items.

Likely consequences of any decision in the long term

The Board considers the long-term consequences of the decisions it makes, focussing on the interests of relevant stakeholders as appropriate. Examples of activities the Board undertook during the last financial year to meet its obligations under Section 172 include the following:

- The Board considered its Section 172 responsibilities in respect of the progression of the Group's strategy and its 2020 budget proposals including the likely long-term consequences of decisions being taken on restructuring and the impact that would have om the workforce, suppliers and customers;
- The Board oversaw the acquisition of Space Connect which brought new technological capabilities and delivered fast to deploy cloud-based software suitable for the SME market allowing the Group continue its transformation into a pure play SaaS business.
- The Board undertook a review of its strategy and decided that the best way to deliver shareholder value was to focus on delivering SaaS solutions to the SME market. The nature of an enterprise software division did not fit with this strategy and the Board decided to dispose of the enterprise software division which it successfully completed in August 2020.
- To mitigate the financial impact of Covid-19, the Group took a number of steps across the business to reduce costs and preserve cash. These included a recruitment freeze, curtailment of all discretionary spend and the office closures referred to above. In addition, the Group took advantage of the Coronavirus Job Retention Scheme under which we furloughed a number of employees. SwipedOn also took advantage of some of the funding initiatives from the New Zealand Government, which came in the form of one-off grants to help offset the impact of Covid-19.

Interests of the Company's employees

- During FY20 the Company undertook its inaugural employee engagement exercise. The Board oversaw this process which started with an employee survey following which the Board received feedback on the results and considered what this indicated about the culture of the Group. Following the recent sale of the Enterprise software business the Group will revisit employee engagement in the light of a slimmed down workforce.
- The Board considered its Section 172 responsibilities in respect of the impact of the Covid-19 pandemic. The primary concern of the Board during this difficult time was the health and safety of our employees, customers and other stakeholders. Having considered the guidance set out by Governments in the territories in which the Group has operations, a range of measures were put in place to protect our stakeholders. The Group closed a number of its offices and where possible all employees worked from home.

The need to foster the Company's business relationships with suppliers, customers and others

- The Executive Directors held regular meetings with the management of each operating subsidiary at which progress with customer relationships was reviewed.
  - For the enterprise software business, the status of each customer was discussed, and a monthly report was produced using a traffic light system to monitor the status of each customer.
  - For SwipedOn, the Executive Directors, held weekly meetings with the management at which progress was discussed. A monthly report was produced highlighting the key metrics for managing customer satisfaction being customer churn rate and net promoter score. Trends were analysed and the likely cause of those trends identified.

  The monthly reports were tabled at Group Board Meetings and any issues highlighted by the CEO in his report.
- The relationships with Group's key suppliers and partners are maintained by the management of each operating subsidiary supported by the Executive Directors. Alongside this the CEO and Chairman visited Evoko, which provided them with the opportunity to speak directly with one of our partners and to hear from them first-hand about their immediate challenges and longer-term expectations.

The impact of the Company's operations on the community and the environment

- The Group considers its actions and likely effect that they may have on the environment and seeks to mitigate any negative impact wherever practicable. Through the various procedures and systems it operates, the Group complies with health and safety and environmental legislation relevant to its activities.
- As part of our commitment to the environment we plant a tree for every new customer. These trees are located at 16 locations around New Zealand. We believe that protecting our environment is a job for all of us. Handled by a local charity, Trees that Count, we believe by replacing native species trees will help restore and enhance the environment, encourage biodiversity, clean air and waterways and make a difference to climate change. So far, we have funded over 4800 trees.
- In addition, we also seek to support local charitable organisations in the markets we serve by providing our software free of charge or a significant discount. Charities we have helped in this way include Leicestershire Search and Rescue. We positively encourage charities to approach us for support.

The desirability of the Company maintaining a reputation for high standards of business conduct

- The Group believes that business should be conducted honestly, fairly and with due respect for others. We expect honesty and truthfulness from our employees as a matter of course and Directors and employees should at all times act with integrity and good conscience. This requirement is set out in the employee handbook.
- SmartSpace seeks to pay suppliers in accordance agreed terms.
- Further details are set out in the Corporate Governance Report on pages 28 to 31.

The need to act fairly with members of the Company

- The primary focus of the Board's business decisions is on ensuring the long-term sustainability of the Group. The Board recognises that in seeking long-term profitability the Group is reliant on the support of all of its stakeholders.
- In making capital allocation decisions during FY20, the Board was cognisant of the need to balance the interests of different stakeholders. Decisions on the Group's approach to working capital, investment opportunities, R&D and investment in people during the year, were considered against this backdrop.
- Our decision to sell the Enterprise software division was a means of avoiding the need to raise additional capital and focus our efforts on getting the group to a position where we can make dividend payments.

Giving Back

- Giving back is part of our culture
- For every customer we sign we plant a tree
- So far we have we have planted over 4800 native species trees in 16 locations around New Zealand. The project is managed by Trees that Count, a local not for profit.
- Supporting charitable organisations around the Globe
- We provide our software free or at a discount to selected charities.

4,000+
Trees funded from customer subscriptions

16+
Locations around New Zealand

Ronald McDonald House Charities Monash

Children's Hospital Foundation

TREES THAT COUNT TE RAHI O TĀNE

Our stakeholders

Why we engage	Types of engagement undertaken	Issues relevant to the stakeholder group
Our people The dedication of our people and their drive for results are the most significant contributors to our future success.	• Continual focus on health and safety of all employees. • Regular performance reviews and staff surveys. • Competitive remuneration strategy.	• Personal development. • Remuneration strategy. • Health and safety. • Diversity and inclusion.
Customers Engaging with customers helps us to understand their needs, identify opportunities and challenges and plan the future direction and development of our software.	• We provide customer support through our help desks and interaction with our customers through our account management. • We survey customers on their likely take up of add-on modules and functionality, and their views regarding development priorities. • We monitor our net promoter score to ensure we maintain the highest standards in our products and services. • We survey lost customer to identify areas for improvement.	• Customer satisfaction. • Innovation and product development. • Product reliability. • Product support.
Suppliers and partners Maintaining a flexible workforce through the use of contractors is vital to the success of the business. Consistent and reliable cloud service providers are a prerequisite for our business. Strong partnership agreements are important to distributing the Group's products and creating integrations for customers.	• Regular interaction with our outsource partners including weekly stand ups and the use of shared platforms such as Microsoft Teams, Microsoft Sharepoint and shared development tools such as Jira and Confluence. • The Group use Microsoft Azure and Amazon Web Services who are the market leaders providing the highest level of support. • The Group regularly reviews its partners' performance and terms and conditions.	• Product development • Hosting
Investors Continued access to funding is vital to the performance of the business. We work to ensure our investors have a clear understanding of our strategy, performance and objectives.	• The Group's Investor Relations Strategy managed by the CEO and CFO includes regular meetings with key and prospective investors. • The Company's Annual Report provides an overview of the Group and regular announcements and press releases are published to provide updates on the Group's performance and progress. • The AGM normally provides all shareholders with an opportunity to directly engage with the Board. With covid-19 restrictions, our channel of communication is currently limited to retail investors emailing the chairman and video conference meetings with institutional investors. • The Group has signed up to use the Investor Meet Company platform to deliver live, interactive management presentations to current and prospective shareholders regardless of the number of shares they own. • There is an ongoing dialogue with the Company's analysts to address enquiries and promote the business.	• Financial performance • Governance and transparency • Directors remuneration • Board performance
Communities We are committed to maintaining positive relationships with the communities in which we operate.	• Sponsoring of activities for local charities • Planting of a tree for each new SwipedOn customer	• Operational performance • Ethics

Directors and officers

Guy van Zwanenberg (Chairman)

Guy joined the Board on 9 March 2015 as a Non-Executive Director, a role which he maintained until June 2018 when he stepped into the Chairman's role. Guy is also Chairman of the Remuneration Committee and Nomination Committee and a member of the Audit Committee. Guy has more than 40 years' experience in industry and practice. He qualified as a Chartered Accountant with Grant Thornton and then spent three years working with James Gulliver. Guy subsequently moved to become UK Finance Director of an American computer accessory company which was taken public in 1989. In 1991, he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial help. Guy joined Gamingking PLC in 1998 on a part-time basis as Finance Director and became Company Secretary and Non-Executive Director in 2006, remaining until May 2013. He joined Quixant plc as a Non-Executive in March 2013 as part of the float team. Guy is both a Fellow of The Institute of Chartered Accountants in England and Wales and a Chartered Director.

Frank Beechinor (Chief Executive Officer)

Frank was appointed chairman of the Board on 10 July 2014 and led the Board and led the business through its restructuring from what was then Coms plc. He became Chief Executive Officer in July 2018 with the aim of leading SmartSpace Software plc to become a market leader in space management technology. He has significant corporate experience, particularly in the software industry and building SaaS businesses. Frank is a co-founder of Cadence Performance Ltd. Frank was previously founder and CEO of OneClick HR plc from 1997 to 2011 and Non-Executive Chairman of dotDigital Group plc from May 2011 to March 2019.

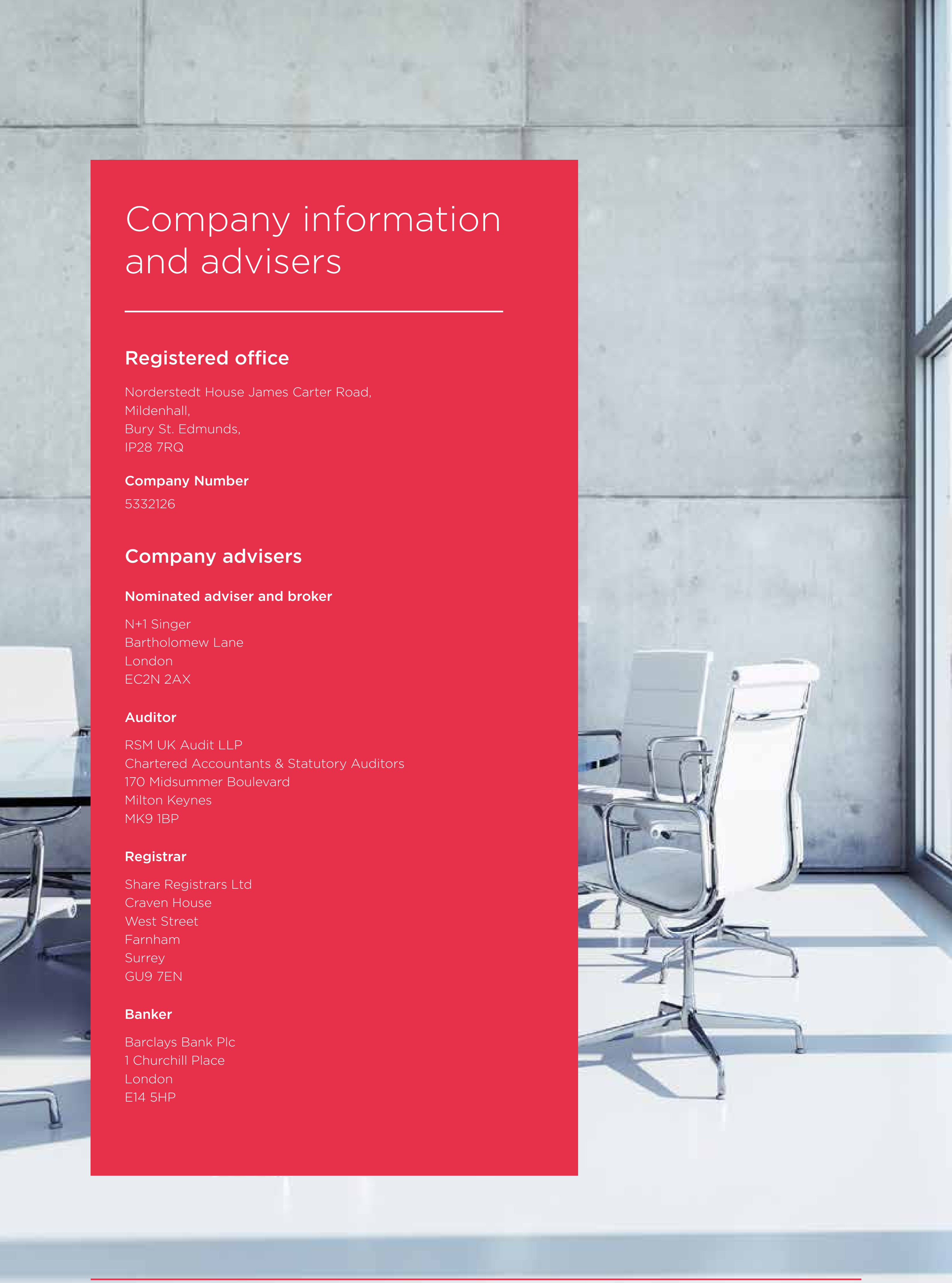
Bruce Morrison (Chief Financial Officer)

Bruce has over 25 years' commercial experience in finance strategy and accounting, fundraising, M&A and disposals. Bruce was most recently Group Finance Director at Bond International Software plc, where he led a successful divestment of all operations, with £55 million returned to shareholders. He held this role for 13 years. ACA qualified, Bruce started his career as a Chartered Accountant with KPMG in audit and transaction advisory work before transitioning to FD and CFO roles for publicly listed and private organisations in IT, media and leisure. This included eight years as FD of Wembley Stadium Limited, which owned and operated the Wembley Complex including the Stadium, Arena and Conference and Exhibition Centre. Bruce then spent over three years with Radio First plc where he was involved in securing a multi-million-pound institutional investment and joint venture agreements for the operation of new radio stations on a digital platform.

Diana Dyer Bartlett (Non-Executive Director)

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

After qualifying as a chartered accountant with Deloitte Haskins & Sells, Diana spent five years in investment banking with Hill Samuel Bank. Since then she has held a number of roles as finance director of various venture capital and private equity backed businesses and listed companies involved in software, financial services, renewable energy and coal mining. She was also company secretary of Tullett Prebon plc and Collins Stewart Tullett plc. Diana is currently a non-executive Director and Chairman of the Audit Committee of Smithson Investment Trust plc and Mid Wynd International Investment Trust plc



Company information and advisers

Registered office

Norderstedt House James Carter Road,
Mildenhall,
Bury St. Edmunds,
IP28 7RQ

Company Number

5332126

Company advisers

Nominated adviser and broker

N+1 Singer
Bartholomew Lane
London
EC2N 2AX

Auditor

RSM UK Audit LLP
Chartered Accountants & Statutory Auditors
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Registrar

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

Banker

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Remuneration report

The Remuneration Committee

The Company's remuneration policy is the responsibility of the Remuneration Committee which comprised Guy Van Zwanenberg (Non-Executive Chairman) and Diana Dyer-Bartlett (Non-Executive Director) during the year.

General policy

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

Remuneration package

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

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

Directors' remuneration

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

	Salary and fees		Taxable benefits		Compensation for loss of office		Annual bonus		Long-term incentive schemes		Pension related benefits		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Guy van Zwanenberg	**60**	55	**-**	-	**-**	-	**-**	-	**2**	2	**-**	-	**62**	57
Frank Beechinor	**225**	161	**3**	-	**-**	-	**-**	110	**64**	23	**-**	-	**292**	294
Bruce Morrison	**159**	29	**2**	-	**-**	-	**-**	5	**-**	-	**6**	1	**167**	35
Diana Dyer Bartlett	**40**	40	**-**	-	**-**	-	**-**	-	**4**	4	**-**	-	**44**	44
Mark Braund	**-**	263	**-**	-	**-**	50	**-**	80	**-**	15	**-**	6	**-**	414
Spencer Dredge	**-**	123	**-**	-	**-**	-	**-**	40	**-**	4	**-**	7	**-**	174
Total	**484**	671	**5**	-	**-**	50	**-**	235	**70**	48	**6**	14	**565**	1,018

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

Bruce Morrison joined the Board on 27 November 2018, at which time Spencer Dredge stepped down from the Board.

Share options awarded during the year

No share options were awarded to the Directors during the year however the Directors held the following outstanding options at 31 January 2020:

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

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

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

	2020		2019	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of year	750,000	93.47p	1,110,000	92.00p
Granted during the year	-	-	885,000	94.00p
Forfeited during the year	-	-	(260,000)	(92.00p)
Ceasing to be a director	-	-	(985,000)	(92.68p)
Outstanding at end of year	750,000	93.47p	750,000	93.47p
Exercisable at end of year	200,000	92.00p	200,000	92.00p

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

Audit committee report

The Audit Committee is comprised of Diana Dyer Bartlett (chair of the Committee) and Guy van Zwanenberg. Both Diana Dyer Bartlett and Guy van Zwanenberg have recent and relevant financial experience by virtue of their senior financial roles and both hold a professional accountancy qualification. The Audit Committee has a number of responsibilities set out in its terms of reference, which were last reviewed and updated in April 2019. The responsibilities include reviewing the annual report and interim reports, receiving findings from the external auditors, considering the suitability and effectiveness of the internal control processes, recommending the appointment and remuneration of the auditor, and considering any non-audit services to be provided by the auditor. There were three audit committee meetings during the year. Executive Directors and the Group's auditors may be invited to attend all or part of any meetings. The Committee also meets with the Group's external auditor without the presence of the Executive directors.

RSM UK Audit LLP have been appointed as auditors for the first time for the year ended 31 January 2020, the appointment having been recommended by the Audit Committee to the Board following a formal tender process. The audit engagement partner is named Richard Bartlett-Rawlings. In advance of the audit of the Group's financial statements, the Audit Committee reviewed the audit plan as presented by RSM UK Audit LLP. The plan set out the proposed scope of work, the audit approach, materiality and identified areas of audit risk and was compliant with the Ethical Standards for Auditors issued by the Financial Reporting Council. Prior to commencing its audit work, RSM UK Audit LLP confirmed in writing the safeguards in place to ensure its independence and objectivity. Audit fees are disclosed in note 24 to the consolidated financial statements. RSM UK Audit LLP did not provide any non-audit services.

In reviewing making its recommendation that the Annual Report and Financial Statements be approved by the Board, the Audit Committee has taken into consideration the following significant issues and judgement areas:

Carrying value of goodwill and other intangible fixed assets

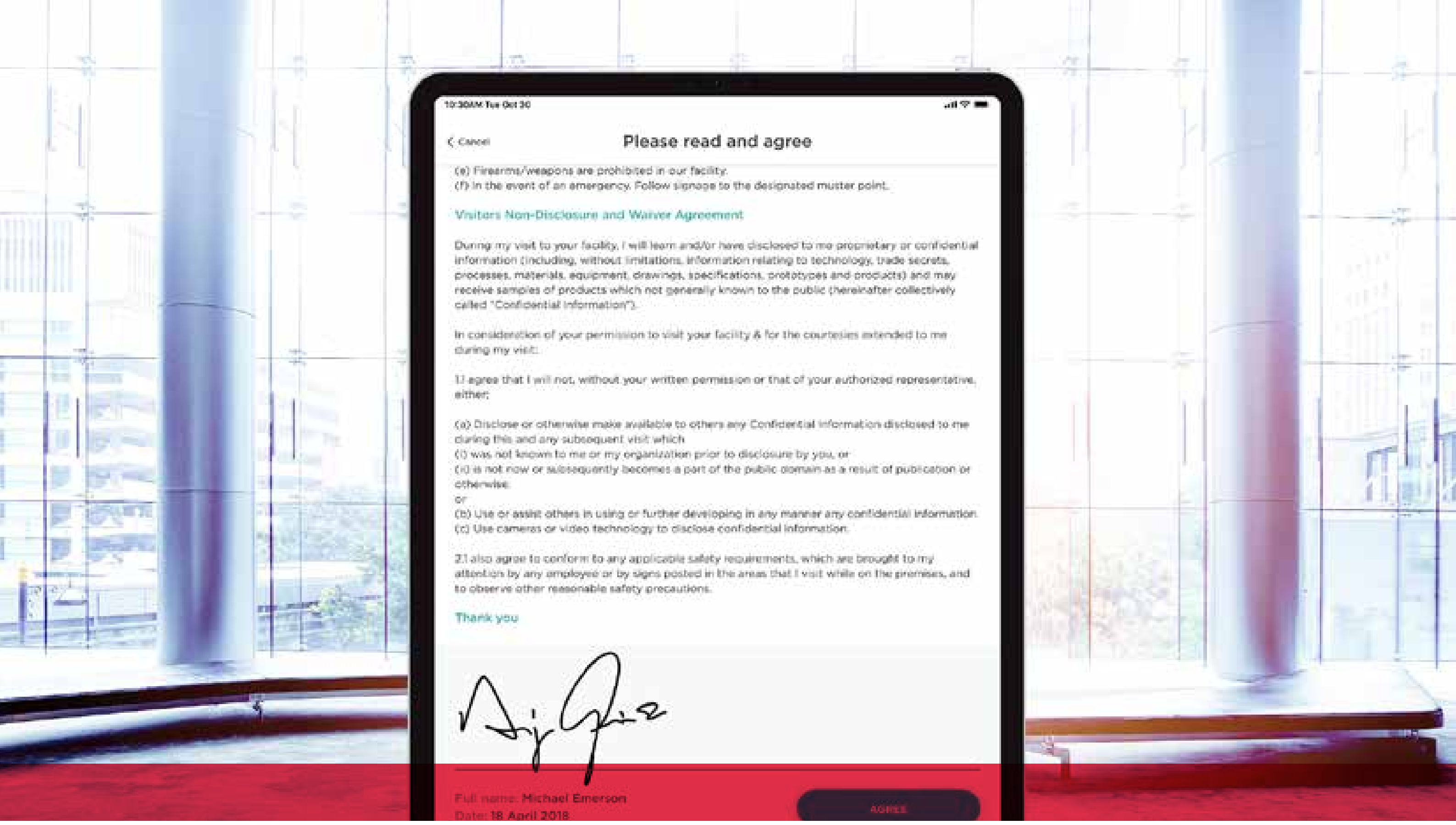
At 31 January 2020 the carrying value of goodwill and other intangible assets relating to the Group's continuing activities was £10,508,000 (2019: £11,252,000). Goodwill and other intangible assets relating to the Group's discontinued operations had a carrying value of £4,082,000 and were classified as assets held for sale at 31 January 2020. The disposal group was accounted for at fair value less cost to sell resulting in an impairment to these assets of £2,669,000 and therefore a carrying value after impairment of £1,413,000.The Audit Committee reviewed in detail the judgements taken in the impairment review and fair value less cost to sell calculation. The Audit Committee consider the key judgements in the impairment review to be the discount rate and revenue growth rates used in the Value in Use calculations. Following a review of the impact of the sensitivities performed by management on the discount rate and revenue growth rate in the Value in Use calculations, the Audit Committee considered that the rates used were reasonable and no further impairment charge was required.

Going concern

During the year, all of the Group's software businesses continued to make losses. The Board decided to take action to reduce these losses by disposing of the Enterprise software division which was incurring the most significant losses and had the least predictable revenue growth. The Group's overhead costs have also been reduced. The Group will, nevertheless, continue to be loss-making while it builds a solid SaaS customer base. As reported in the Strategic Report, SwipedOn has continued to grow despite the worldwide disruption caused by the Covid-19 pandemic and has started to generate cash. Space Connect products have been made fully available since the year end and new distribution agreements signed to generate revenues. The Group intends to utilise cash resources made available from the sale of the Enterprise software division to invest in accelerating the growth of its SaaS customer base for both SwipedOn and Space Connect. The Audit Committee has considered the Group forecasts which underpin the presumption that the accounts should be prepared under the going concern principle and the impact that Covid-19 could have on the Group in future. In particular it has considered a scenario whereby the SaaS business does not achieve any growth in the next twelve months together with the mitigations available to the Group. On this basis, the Audit Committee was able to advise the Board that it was reasonable to prepare the accounts on a going concern basis.

Accounting policies

There was one significant change in accounting policies for the year ending 31 January 2020 with the application of IFRS 16 'Leases' for the first time. The impact of IFRS 16 is shown in note 26 to the consolidated financial statements.



Alternative performance measures

The Group reports a number of alternative performance measures which are not in accordance with the reporting requirements of IFRS. The Audit Committee has reviewed these during the year ended 31 January 2020 to ensure they are appropriate and that in each case the reason for their use is clearly explained; they are reconciled to the equivalent IFRS figure; and they are not given prominence over the equivalent IFRS figure.

Risk management and internal controls

The Audit Committee has responsibilities for reviewing the Group's risk management and internal controls. It reviewed the Group's risk register which includes the measures to manage risk and mitigations and the summary of principal risks set out in the Strategic Report.

Internal audit

The Audit Committee considered whether an internal audit function was required and concluded that, owing to the Group's size, this was not appropriate at this stage.

Diana Dyer Bartlett
Chairman, Audit Committee

5 October 2020

Corporate governance report

Compliance with Corporate Governance principles

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

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

The business model and strategy of the Group are set out in the strategic report on pages 8 to 21.

The Group's strategy and business model are developed by the Chief Executive Officer and his senior management team and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group's immediate key strategic priorities to drive future growth are as follows:

- to focus on delivering pure SaaS revenues where the Group is not overly exposed to one market or customer;
- to develop technology-led intellectual property to help SME companies optimise use of their corporate real estate focussing on rooms, desks and visitors and provides businesses with a means to implement and manage Covid-19 policies in the workplace;
- to develop new sales channels to market for our software solutions by establishing a global network of channel partners;
- to bring together the technologies of Space Connect and SwipedOn in order to create an integrated product;
- 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 will, in turn, improve cash generation.

An evaluation of the potential risks and uncertainties of the Group are set out on pages 16 and 17.

2. Seek to understand and meet shareholder needs and expectations

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

Beyond the annual general meeting, the Chief Executive Officer, Chief Financial Officer and, where appropriate, other members of the Board and senior management team meet with investors and analysts to obtain feedback regarding the market's expectations of the Group.

The Group's investor relations activities encompass dialogue with both institutional and private investors.

Private shareholders – the main forum for private shareholders to engage with the Board is at the Company's AGM where the Board makes itself available for shareholders to ask questions. Owing to Covid-19, the Board will not be able to offer this opportunity to meet the Board this year but has instead provided an email address for shareholders to address questions to the Board on the Company's website. The address is shareholders@smartspaceplc.com The notice of AGM is sent to shareholders at least 21 days before the meeting is due to be held. At the meeting, shareholders vote on each resolution and the meeting is advised of the number of proxy votes for, against and withheld on each resolution. The outcome of the AGM is subsequently announced via RNS and published on the Company's website.

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

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

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

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

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

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

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

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

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

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, is set out on in the strategic report on pages 16 and 17. The Group maintains appropriate insurance cover as part of its risk management programme.

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

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

SmartSpace's Board consists of four directors, two of whom are non-executive directors. On an annual basis each Director seeks re-election at the annual general meeting.

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

Directors' biographies are set out on page 22.

The Board is responsible to the shareholders for the proper management of the Group and meets at least ten times a year to set the overall direction and strategy of the Group, to review technological, operational and financial performance and to advise on management appointments. Executive directors are employed on a full-time basis whilst non-executive directors are required to attend board and committee meetings, and are encouraged to be involved in specific workshops, meetings or seminars in line with their areas of expertise. All key operational and investment decisions are subject to board approval as required by the Company's schedule of matters reserved for the Board.

A summary of board and committee meetings held in the year ended 31 January 2020, and directors' attendance records, is set out below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Guy van Zwanenberg	10/10	3/3	1/1
Frank Beechinor	10/10	n.a.	n.a.
Diana Dyer Bartlett	10/10	3/3	1/1
Bruce Morrison	10/10	n.a.	n.a.

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

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

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

The Board considers its directors to have experience in areas critical to the long-term future success of the Group, covering a deep understanding of technology, corporate strategy, finance and investment. The Directors' biographies are set out on page 22.

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

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

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

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

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

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility. These core beliefs are reinforced by senior management throughout the year at town hall and other meetings.

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

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

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

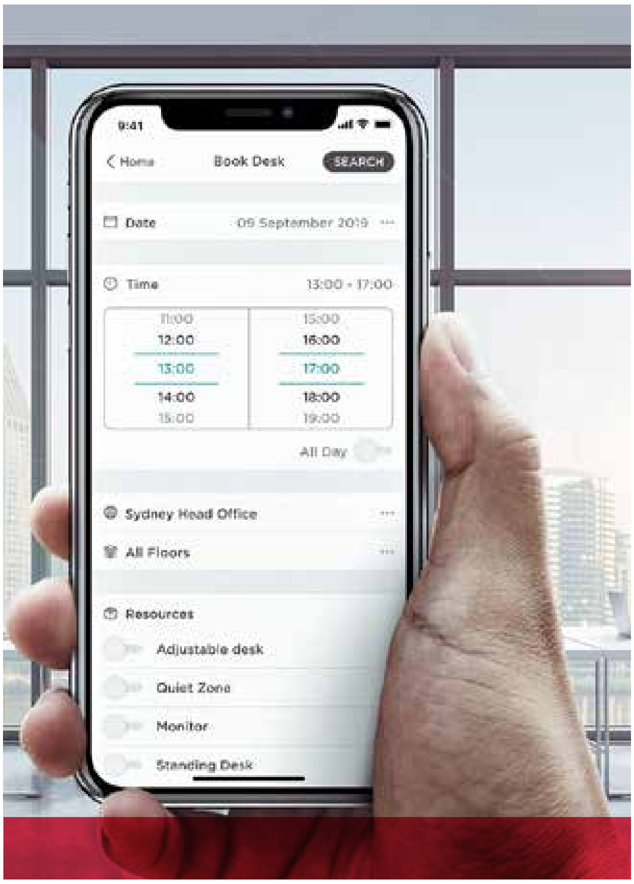
The Board has established Audit, Remuneration and Nominations Committees with formally delegated duties and responsibilities and which comprise Non-Executive directors only, with executive directors attending by invitation.

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

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

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

The Nominations Committee meets periodically as required.



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

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Company's website is regularly updated, and users can register to be alerted when announcements are posted onto the website. The Group's financial reports, regulatory news announcements and notices of general meetings, can be found in the investor relations section of the Company's website.

The Group provides detailed results of shareholder voting on its website.

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and independent auditor's report for the year ended 31 January 2020. The corporate governance report on pages 28 to 31 forms part of this report. The Company's full name is SmartSpace Software plc ("the Company"), company number 05332126. SmartSpace Software plc is a public limited company, listed on the AIM market of The London Stock Exchange and domiciled in the United Kingdom. The address of its registered office is given on page 23.

Principal activities

During the year the Group's principal activities were the development and sale of software products together with the sale and installation of audio-visual hardware products. Since the year end, the Group's software activities are all cloud based.

Results and dividend

The results for the year are set out in the consolidated statement of comprehensive income on page 41. The Directors do not recommend payment of a dividend (2019: £nil).

Review of the business

A review of the business of the Group, together with comments on future developments is given in the Strategic Report including a description of the principal risks and uncertainties facing the Group on pages 8 to 21.

Research and development

The Group spent £3,772,000 on research and development in 2020 (2019: £2,926,000) of which £3,005,000 related to Smartspace Global which has been classified as a discontinued activity. Of the remaining £767,000 expenditure on research and development in continuing activities £130,000 was capitalised under IAS 38 "Intangible Assets". The Group intends to continue to invest in the development of its SwipedOn and Space Connect software platforms to further enhance their capabilities. In the opinion of the Directors these investments will maintain and generate significant revenues in future years.

Financial risk management

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

Going concern

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

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

Post balance sheet events

On 13 August 2020 the Group completed the disposal of its investment in the Enterprise software division comprising of SmartSpace Global Limited and certain contracts of its US subsidiary for cash consideration of £4.6m and deferred consideration of £0.4m. The decision to commence a disposal process for this business was made before 31 January 2020 and therefore the assets and directly associated liabilities of this business have been included within assets held for sale and financial performance included within discontinued activities. Further information is included in the Strategic Report.

The sale of Smartspace Global provides additional working capital to be used to fund the growth of the Group's remaining divisions.

Directors

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

Guy van Zwanenberg	Non-Executive Chairman
Frank Beechinor	Chief Executive
Bruce Morrison	Chief Financial Officer
Diana Dyer Bartlett	Non-Executive Director

Directors' shareholdings and share interests

At 31 January 2020 the Directors' shareholdings were:

	Ordinary shares of 10p each	
Director	**2020**	**2019**
	No.	No.
Guy van Zwanenberg	**30,000**	30,000
Frank Beechinor	**90,000**	90,000
Bruce Morrison	**-**	-
Diana Dyer Bartlett	**40,000**	40,000

Details of Directors share option holdings at the end of the year are set out in the Remuneration Report on pages 24 and 25.

Directors' indemnities

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

Re-election of directors

In accordance with principles of the QCA Code all Directors are retiring and seeking re-election at the annual general meeting.

Substantial shareholdings

As at 31 July 2020, the following interests in 3% or more of the issued ordinary share capital had been notified to the Company:

Shareholder	Number of shares	% Holding
JO Hambro Capital Management	3,326,020	11.77%
Alto Invest	2,580,262	9.13%
Hargreaves Lansdown Asset Management	2,535,310	8.97%
Herald Investment Management	2,240,780	7.93%
Interactive Investor	1,748,332	6.19%
HSBC Securities	1,457,223	5.16%
Pope Family Investments Pty Ltd	1,350,823	4.78%
Barclays Wealth	1,332,276	4.72%
IG Markets	1,188,745	4.21%
Close Asset Management	1,117,030	3.95%
Canaccord Genuity Wealth Management	1,080,213	3.82%
Hadleigh J Ford	1,048,838	3.71%

Employment matters

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

The Group operates an EMI share option scheme which is open to all employees.

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

Share capital

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

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 8 to the consolidated financial statements.

Directors' responsibilities

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

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

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

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

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

Listing

The Company's ordinary shares have been traded on London's AIM Market since 6 September 2006. N+1 Singers are the Company's Nominated Adviser and Broker. The closing mid-market share price at 31 January 2020 was 31.0 pence (31 January 2019: 91.5 pence). At 2 October 2020, being the latest practicable date before the signing of this document, the closing mid-market share price was 81 pence.

Publication of financial statements

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

Annual General Meeting

The Company's Annual General Meeting will be held on 30 October 2020. In accordance with current Government regulations in relation to COVID-19, the Company will not permit Shareholders to attend the meeting in person, and therefore encourage all shareholder to appoint the Chairman as their proxy.

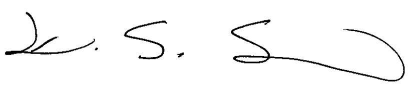
Auditor

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

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

The Report of the Directors was approved by the Board on 5 October 2020:

By order of the Board



Kristian Shaw
Company Secretary

5 October 2020

Independent Auditor's report to the Members of SmartSpace Software plc

Opinion

We have audited the financial statements of Smartspace Software plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2020 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the parent company balance sheet, the parent company statement of changes in equity, the parent company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Summary of our audit approach	
Key audit matters	**Group** • Revenue recognition • Business combinations • Disposal group accounting • Impairment of goodwill and intangible assets **Parent Company** Impairment of investments
Materiality	**Group** • Overall materiality: £90,000 • Performance materiality: £67,500 **Parent Company** • Overall materiality: £47,200 • Performance materiality: £35,400
Scope	Our audit procedures covered 99% of revenue, 97% of total assets and 93% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key audit matter description	Revenue in Smartspace Software plc is either licence income, which is recorded over the length of the licence period or point in time income recognised on delivery of either products or services. There is a risk that the revenue is recorded prior to the performance obligations of the contract being fulfilled. The revenue accounting policy and associated disclosures are detailed on pages 49 to 52.
How the matter was addressed in the audit	We have audited revenue through detailed testing on the Group's revenues. We have considered the group's identification of the performance obligations in the contract and judgements over whether these are distinct or not. We have traced a sample of sales to the underlying contracts and despatch notes to determine the accuracy and cut off of revenues. To gain assurance over the completeness of sales we have performed analytical procedures to match the movement of goods to sales invoices. We have also obtained third party delivery information and tested a sample to the accounting records and financial statements. We have reviewed and recalculated a selection of deferred items held within the balance sheet. We have considered the disclosures made in the financial statements with regards to revenue and additionally associated balances for contract receivables and payables.

Business combination	
Key audit matter description	During the year the group purchased 100% of the share capital of Space Connect Limited, which has been accounted for as a business combination under IFRS3. Management undertook an exercise to identify the intangible assets acquired and determine the fair value of those assets to be included in the financial statements. Due to the materiality of the transaction and also degree of judgement within the valuation of assets acquired this is deemed a key audit matter. The business combination is detailed on pages 73 and 74.
How the matter was addressed in the audit	We have audited the business combination by confirming the acquisition date and details of the transaction to the underlying SPA. We have used an internal valuations expert to critically examine the methodologies used to determine the fair value of the assets and liabilities acquired . We challenged the judgements made around the identification of intangible fixed assets to be recognised and the assumptions used in the model. We have reviewed the skills and experience of the expert used by management to value the asset acquired. We have confirmed payment of the consideration to the transfer of shares within the business. We have considered the accounting treatment of the deferred consideration to be satisfied by the future issuance of shares in the parent and the disclosures regarding the accounting treatment. We have reviewed the Share Purchase Agreement and the requirements of IAS32 to assess whether the deferred consideration is classified appropriately. We have considered the disclosures made in the financial statements with regards to the acquisition and the intangible fixed assets recognised.

Disposal group accounting	
Key audit matter description	During the year management decided to divest the enterprise division of the group – Smartspace Global Limited. As at the statement of financial position date the business was classified as held for sale. Management recognised an impairment charge against the carrying value of the assets of the disposal group to reflect the fair value less costs to sell, based upon the estimated sale price and costs to sell, each of which require management judgement. The disclosures with respect to the disposal group are detailed on pages 74 and 75.
How the matter was addressed in the audit	In auditing the disposal group accounting we obtained management's detailed workings for the classification of the disposal group and performed the following: • Reviewed correspondence to evidence the sales process had commenced prior to the period end. • Tested whether the assets and liabilities included within the disposal group correspond to the underlying financial records. • Critically assessed management's estimation of the future sales value of the business, including obtaining evidence of the actual sales value obtained. • Reviewed the disclosures made in the financial statements with respect to the disposal.

Impairment of goodwill and intangible assets	
Key audit matter description	The Group currently holds significant intangible and goodwill balances (£10.5m) relating to the subsidiary entities. Management have assessed the recoverability of these balances through using cash flow forecasts and discounted cash flow models, each of which require a high degree of management judgement. The accounting policy in respect of goodwill and intangible assets is on page 88 and the disclosures are on pages 62 to 64.
How the matter was addressed in the audit	In auditing the impairment of goodwill and intangible assets we have performed the following procedures over management's value in use calculations: • Challenged the reasonableness of assumptions used through both assessment of the discount rate applied, historical growth rates and also considering the performance of the businesses post year end. • Reviewed management's ability to accurately forecast performance through comparison of historic performance against forecast. • Performed sensitivity analysis to understand and take account of reasonably possible outcomes. • Consulted with internal valuation experts as appropriate. • Performed tests to assess the integrity and mechanical accuracy of the underlying model.
Key observations	As a result of our work management updated their value in use calculations to reflect CGU specific discount rates and assumptions ensuring that the cash flows utilised within the calculations were consistently treated and non-cash items were eliminated.

Impairment of investments (Parent company)	
Key audit matter description	The Company holds investments valued at £4.9m relating to the subsidiary entities. Management have assessed the recoverability of these balances through using cash flow forecasts and discounted cash flow models, each of which require a high degree of management judgement. The accounting policy in respect of investment in subsidiaries is on page 103 and the disclosures are on page 97.
How the matter was addressed in the audit	In auditing the impairment of investments, we have performed the following procedures over managements forecasts: • Challenged the reasonableness of assumptions used through assessment of the discount rate applied, historical growth rates and also consideration of performance of the businesses post year end. • Reviewed management's ability to accurately forecast performance through comparison of historic performance against forecast. • Performed sensitivity analysis to understand and take account of reasonably possible outcomes. • Consulted with internal valuation experts as appropriate • Performed test to assess the integrity and mechanical accuracy of the underlying model.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£90,000	£47,200
Basis for determining overall materiality	1.5% of revenue	3% of expenses
Rationale for benchmark applied	Considered to be an appropriate measure given the stage of development of the group.	Expenses taken to ensure appropriate consideration of costs.
Performance materiality	£67,500	£35,400
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £4,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £2,360 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 12 components, located in the following countries;

- United Kingdom
- USA
- Australia
- New Zealand

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	7	99%	73%	93%
Specific audit procedures	1	–	24%	–
Total	**8**	**99%**	**97%**	**93%**

Analytical procedures at group level were performed for the remaining 4 components.

Of the above, full scope audits for 1 component was undertaken by component auditors.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Richard Bartlett-Rawlings FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
The Pinnacle, 170 Midsummer Boulevard
Milton Keynes, Buckinghamshire, MK9 1BP

5 October 2020

Consolidated statement of comprehensive income

	Note	2020	2019
		£'000	**£'000**
Continuing operations			
Revenue from contracts with customers	4	**5,082**	2,959
Costs of sale of goods		**(2,743)**	(1,825)
Cost of providing services		**(271)**	(23)
Gross profit		**2,068**	1,111
Administrative expenses		**(4,307)**	(3,189)
Net impairment losses on financial and contract assets		**(205)**	-
Other income		**79**	39
Operating loss		**(2,365)**	(2,039)
Adjusted LBITDA*		**(1,672)**	(1,750)
Reorganisation and transactional items	6(e)	**(199)**	(255)
Depreciation	6(a)	**(79)**	(50)
Amortisation	6(a)	**(122)**	(43)
Impairment of financial asset		**(205)**	-
Share based payment charge		**(88)**	59
Operating loss		**(2,365)**	(2,039)
Finance income	6(d)	**11**	51
Finance costs	6(d)	**(23)**	(121)
Loss before tax		**(2,377)**	(2,109)
Taxation	7	**468**	1,087
Loss for the year after tax		**(1,909)**	(1,022)
(Loss) / profit for the year from discontinued operations	16	**(7,973)**	423
Loss for the year	10(c)	**(9,882)**	(599)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(576)**	406
Total other comprehensive income		**(576)**	406
Total comprehensive loss		**(10,458)**	(193)
Basic loss per share			
Continuing operations	22	**(8.05p)**	(4.83p)
Discontinued operations	22	**(33.65p)**	2.00p
Total		**(41.70p)**	(2.83p)
Diluted loss per share			
Continuing operations	22	**(8.05p)**	(4.83p)
Discontinued operations	22	**(33.65p)**	2.00p
Total		**(41.70p)**	(2.83p)

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

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

Consolidated balance sheet

	Note	2020	2019
		£'000	**£'000**
ASSETS			
Non-current assets			
Property, plant and equipment	9(a)	**693**	787
Right-of-use assets	9(b)	**164**	-
Intangible assets	9(c)	**10,508**	11,252
Deferred tax assets	9(d)	**848**	733
Contract assets	4(b)	**-**	1,560
Total non-current assets		**12,213**	14,332
Current assets			
Inventories	9(e)	**345**	364
Contract assets	4(b)	**31**	698
Trade and other receivables	8(a)	**475**	2,023
Other financial assets at amortised cost	8(b)	**116**	1,112
Current tax receivable		**33**	445
Prepayments	9(f)	**67**	109
Cash and cash equivalents	8(c)	**2,587**	8,053
		3,654	12,804
Assets classified as held for sale	16(c)	**6,480**	-
Total current assets		**10,134**	12,804
Total assets		**22,347**	27,136
LIABILITIES			
Non-current liabilities			
Borrowings	8(e)	**-**	402
Lease liabilities	9(b)	**133**	-
Long term provisions	9(g)	**-**	5
Total non-current liabilities		**133**	407
Current liabilities			
Trade and other payables	8(d)	**1,233**	2,541
Contract liabilities	4(b)	**641**	754
Borrowings	8(e)	**401**	24
Lease liabilities	9(b)	**46**	-
		2,321	3,319
Liabilities directly associated with assets classified as held for sale	16(c)	**2,113**	-
Total current liabilities		**4,434**	3,319
Total liabilities		**4,567**	3,726
NET ASSETS		**17,780**	23,410

continued overleaf

Consolidated balance sheet (continued)

EQUITY AND LIABILITIES

Capital and reserves attributable to equity shareholders			
Share capital	10(a)	**2,826**	2,216
Share premium	10(a)	**3,830**	1,058
Other reserves	10(b)	**(2,832)**	(3,702)
Retained earnings	10(c)	**13,956**	23,838
Total equity		**17,780**	23,410

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

The financial statements were approved by the Board of Directors and authorised for issue on 5 October 2020. They were signed on its behalf by:

Bruce Morrison
Chief Financial Officer

SmartSpace Software plc
Company Number: 5332126

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 31 January 2018		**2,078**	**-**	**(3,803)**	**24,127**	**22,402**
Loss for the year		-	-	-	(599)	(599)
Other comprehensive income for the year		-	-	406	-	406
Total comprehensive income/ (loss) for the year		-	-	406	(599)	(193)
Issue of ordinary shares as consideration for a business combination		138	1,058	-	-	1,196
Lapsed share options	21	-	-	(310)	310	-
Share-based payment expense - continuing operations	21	-	-	(59)	-	(59)
Share-based payment expense - discontinued operations	21	-	-	64	-	64
At 31 January 2019		**2,216**	**1,058**	**(3,702)**	**23,838**	**23,410**
Loss for the year		-	-	**-**	**(9,882)**	**(9,882)**
Other comprehensive income for the year		-	-	**(576)**	-	**(576)**
Total comprehensive loss for the year		-	-	**(576)**	**(9,882)**	**(10,458)**
Issue of ordinary shares as consideration for a business combination	15	**135**	-	**844**	-	**979**
Issue of ordinary shares for cash consideration	10(a)	**475**	**2,967**	**-**	-	**3,442**
Share issue costs	10(a)	-	**(195)**	**-**	-	**(195)**
Space Connect acquisition deferred share issue consideration	15	-	-	**489**	-	**489**
Share-based payment expense - continuing operations	21	-	-	**88**	-	**88**
Share-based payment expense - discontinued operations	21	-	-	**25**	-	**25**
At 31 January 2020		**2,826**	**3,830**	**(2,832)**	**13,956**	**17,780**

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

Consolidated statement of cash flows

	Note	2020	2019
		£'000	**£'000**
Cash from operating activities			
Cash consumed by operations	11	**(5,899)**	(3,469)
Interest received		**61**	51
Interest paid		**(76)**	(123)
Income taxes refunded		**138**	-
Net cash outflow from operating activities		**(5,776)**	(3,541)
Cash flows from investing activities			
Payments for the acquisition of subsidiary (net of cash acquired)	15(b)	**(1,589)**	(3,965)
Payments for property, plant and equipment	9(a)	**(280)**	(245)
Payment of software development costs	9(c)	**(1,688)**	(1,872)
Proceeds from disposal of subsidiary (net of cash disposed)		**750**	15,970
Proceeds from sale of property, plant and equipment		**-**	63
Net cash from investing activities		**(2,807)**	9,951
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)		**3,247**	-
Repayment of borrowings	11(b)	**(25)**	(1,800)
Principal elements of lease payments		**(85)**	-
Net cashflow from financing activities		**3,137**	(1,800)
Net change in cash and cash equivalents		**(5,446)**	4,610
Cash and cash equivalents the beginning of the financial year		**8,053**	3,443
Effects of exchange rate changes on cash and cash equivalents		**(20)**	-
Cash and cash equivalents at end of year	8(c)	**2,587**	8,053

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

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

Notes to the consolidated financial statements

1. Significant changes in the current reporting period

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

- The acquisition of Space Connect Pty Limited in November 2019 which resulted in an increase in goodwill and other intangible assets (see note 15)
- The decision to sell the Group's investment in Smartspace Global Limited and therefore classification of such assets and directly associated liabilities as held for sale and discontinued operations together with the resulting impairment to fair value less costs to sell.
- The adoption of new accounting standards for leases (see note 26).

2. General information

SmartSpace Software plc is a company incorporated in England and Wales under the Companies Act 2006 and listed on the AIM market. The address of the registered office is given on page 23.

The principal activities of the Company and its subsidiaries (the Group) are set out in note 17 and in the strategic report on pages 8 to 21.

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

3. Operating segments

3(a) Description of segments and principal activities

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

SwipedOn - the sale and support of self-service visitor management software based in New Zealand with customers throughout the world.

Space Connect - the sale and support of self-service space management software through a network of partners, distributors and resellers based in the UK and Australia with customers throughout the world.

Anders & Kern - the sale of hardware and related integration services based and serving customers in the UK.

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

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

3(b) Adjusted EBITDA

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

	2020	2019
	£'000	**£'000**
Software		
Space Connect	**(114)**	-
SwipedOn	**(554)**	(261)
Hardware		
Anders & Kern	**284**	36
Central operating costs	**(1,288)**	(1,525)
Total adjusted EBITDA	**(1,672)**	(1,750)

3(c) Segmental financial performance

Year ended 31 January 2020	Space Connect	Swiped On	Anders & Kern	Central operating costs	Total
	£'000	£'000	£'000	£'000	£'000
Revenue from contracts with customers	**39**	**1,358**	**3,685**	**-**	**5,082**
Costs of sale of goods	**(2)**	**(22)**	**(2,719)**	**-**	**(2,743)**
Cost of providing services	**-**	**(192)**	**(79)**	**-**	**(271)**
Gross profit	**37**	**1,144**	**887**	**-**	**2,068**
Administrative expenses	**(176)**	**(1,899)**	**(656)**	**(1,576)**	**(4,307)**
Impairment losses on financial and contract assets	**-**	**(9)**	**-**	**(196)**	**(205)**
Other income	**-**	**79**	**-**	**-**	**79**
Operating (loss) / profit	**(139)**	**(685)**	**231**	**(1,772)**	**(2,365)**
Adjusted (LBITDA)/ EBITDA*	**(114)**	**(554)**	**284**	**(1,288)**	**(1,672)**
Reorganisation and transactional items	**-**	**-**	**-**	**(199)**	**(199)**
Depreciation	**(1)**	**(45)**	**(24)**	**(9)**	**(79)**
Amortisation	**(24)**	**(77)**	**(21)**	**-**	**(122)**
Impairment of intangible assets	**-**	**-**	**-**	**-**	**-**
Impairment of financial assets	**-**	**(9)**	**-**	**(196)**	**(205)**
Share based payment charge	**-**	**-**	**(8)**	**(80)**	**(88)**
Operating (loss) / profit	**(139)**	**(685)**	**231**	**(1,772)**	**(2,365)**
Finance income	**-**	**1**	**-**	**10**	**11**
Finance costs	**(30)**	**(178)**	**(14)**	**199**	**(23)**
(Loss) / profit before tax	**(169)**	**(862)**	**217**	**(1,563)**	**(2,377)**

Year ended 31 January 2019	Space Connect	Swiped On	Anders & Kern	Central operating costs	Total
	£'000	£'000	£'000	£'000	£'000
Revenue from contracts with customers	-	272	2,687	-	2,959
Costs of sale of goods	-	(1)	(1,824)	-	(1,825)
Cost of providing services	-	(23)	-	-	(23)
Gross profit	-	248	863	-	1,111
Administrative expenses	-	(573)	(891)	(1,725)	(3,189)
Net impairment losses on financial and contract assets	-	-	-	-	-
Other income	-	39	-	-	39
Operating loss	-	(286)	(28)	(1,725)	(2,039)
Adjusted (LBITDA)/ EBITDA*	-	(261)	36	(1,525)	(1,750)
Reorganisation and transactional items	-	-	-	(255)	(255)
Depreciation	-	(3)	(37)	(10)	(50)
Amortisation	-	(22)	(21)	-	(43)
Impairment of intangible assets	-	-	-	-	-
Share based payment charge	-	-	(6)	65	59
Operating loss	-	(286)	(28)	(1,725)	(2,039)
Net finance cost	-	-	(16)	(54)	(70)
Loss before tax	-	(286)	(44)	(1,779)	(2,109)

* (Loss)/earnings for the year from continuing operations before net finance costs, tax, depreciation, amortisation, reorganisation and transactional items, impairment charges and share based payment charge.

3(d) Other profit and loss disclosures

Year ended 31 January 2020	Impairment of financial assets	Depreciation and amortisation	Income tax expense
	£'000	**£'000**	**£'000**
Space Connect	**-**	**25**	**55**
SwipedOn	**9**	**122**	**(238)**
Anders & Kern	**-**	**44**	**(6)**
Central operating costs	**196**	**10**	**(279)**
Total	**205**	**201**	**(468)**

Year ended 31 January 2019	Impairment of financial assets	Depreciation and amortisation	Income tax expense
	£'000	**£'000**	**£'000**
SwipedOn	-	25	(52)
Anders & Kern	-	58	-
Central operating costs	-	10	(1,035)
Total	-	93	(1,087)

3(e) Segment assets

	31 January 2020		31 January 2019	
	Segment assets	Additions to non-current assets*	Segment assets	Additions to non-current assets*
	£'000	**£'000**	**£'000**	**£'000**
SmartSpace Global	-	-	8,636	1,856
Space Connect	**3,502**	**114**	-	-
SwipedOn	**6,130**	**249**	6,254	7
Anders & Kern	**3,302**	**1**	3,165	12
Segment assets	**12,934**	**364**	18,055	1,875
Assets relating to discontinued operations	**6,480**	**2,666**	-	219
Unallocated assets	**2,933**	**10**	9,081	19
Total assets	**22,347**	**3,040**	27,136	2,113

*Other than contract assets and deferred tax assets

Smartspace Global has been reclassified to discontinued activities for the year ending 31 January 2020 details of which can be found in note 16.

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

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

	2020	2019
	£'000	**£'000**
UK	**2,492**	7,693
Australia	**3,242**	-
New Zealand	**5,631**	5,906
Total assets	**11,365**	13,599

3(f) Segment liabilities

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

	2020	2019
	£'000	**£'000**
SmartSpace Global	**-**	1,316
Space Connect	**22**	-
SwipedOn	**887**	388
Anders & Kern	**1,437**	1,635
Segment liabilities	**2,346**	3,339
Liabilities relating to discontinued operations	**2,113**	-
Unallocated:	**108**	387
Total liabilities	**4,567**	3,726

Smartspace Global has been reclassified to discontinued activities for the year ending 31 January 2020 details of which can be found in note 16.

4. Revenue from contracts with customers

4(a) Disaggregation of revenue from contracts with customers

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

Year ended 31 January 2020	Space Connect Australia	SwipedOn New Zealand	Anders & Kern UK	Total
	£'000	**£'000**	**£'000**	**£'000**
Segment revenue	**39**	**1,358**	**3,685**	**5,082**
Timing of revenue recognition				
At a point in time	**23**	**54**	**3,536**	**3,613**
Over time	**16**	**1,304**	**149**	**1,469**
	39	**1,358**	**3,685**	**5,082**

Year ended 31 January 2019	Space Connect Australia	SwipedOn New Zealand	Anders & Kern UK	Total
	£'000	**£'000**	**£'000**	**£'000**
Segment revenue	-	272	2,687	2,959
Timing of revenue recognition				
At a point in time	-	40	2,687	2,727
Over time	-	232	-	232
	-	272	2,687	2,959

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. The revenue from the sale of software as a service and software licences relates to the Group's intellectual property, SwipedOn and Space Connect. No single customer represents 10 per cent or more of the Group's total revenues.

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

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

Current contract assets	31 January 2020	31 January 2019
	£'000	**£'000**
IT software contracts	**31**	704
Loss allowance	**-**	(6)
Total current contract assets	**31**	698

Non-current contract assets	31 January 2020	31 January 2019
	£'000	**£'000**
IT software contracts	**-**	1,573
Loss allowance	**-**	(13)
Total non-current contract assets	**-**	1,560

Non-current contract liabilities in the period ending 31 January 2019 related entirely Smartspace Global, which has been reclassified to discontinued activities for the year ending 31 January 2020 details of which can be found in note 16.

Current contract liabilities	31 January 2020	31 January 2019
	£'000	**£'000**
IT software contracts	**561**	491
Hardware	**80**	263
Total contract liabilities	**641**	754

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities:

	2020	2019
	£'000	**£'000**
Revenue recognised from software as a service and support agreements that was included in contract liabilities balance at the beginning of the period	**572**	318

Unsatisfied long-term consulting contracts

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

	2020	2019
	£'000	**£'000**
Aggregate amount of the transaction price allocated to software as a service agreements and software support agreements that are partially or fully unsatisfied as at 31 January	**641**	579

4(c) Accounting policies

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

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

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

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

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

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

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

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

The Group disaggregates revenue from contracts with customers by reporting segment and timing of transfer of goods and services 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.

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 contract liabilities 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

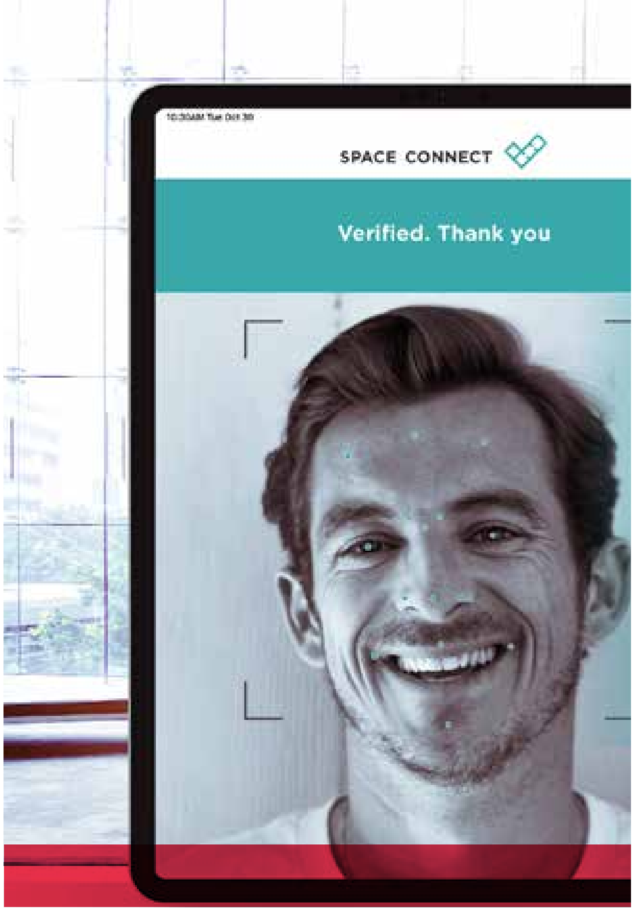
The Group sells hardware through Anders & Kern or as part of a contract for software through its software division. Revenue is recognised at the point when the performance obligation is fulfilled, usually when the hardware is delivered to the customer. Where installation services are sold alongside the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

Deferred and accrued income

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



5. Material profit or loss items

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

	2020	2019
	£'000	**£'000**
Reorganisation and transactional costs	**(199)**	(255)
Impairment of financial assets	**(205)**	-
Result from discontinued activities (see note 16)		
- Loss after tax on discontinued activities – Smartspace Global	**(5,304)**	(1,461)
- Loss after tax on discontinued activities – Communica	**-**	(1,061)
- Impairment of disposal group to fair value less costs to sell	**(2,669)**	-
- Profit on disposal of discontinued operations	**-**	2,945

5(a) Impairment of disposal group to fair value less costs to sell

In January 2020 the board decided to commence a process to dispose of the Group's investment in Smartspace Global Limited. A buyer was identified and in August 2020 the sale was executed. The disposal proceeds expected when the decision was made together with the anticipated costs to sell were used to calculate the resulting impairment to value the disposal group at fair value less cost to sell. The impairment was recorded against the disposal groups intangible assets.

5(b) Reorganisation and transactional costs

During the year the Group acquired 100% of the share capital of SpaceConnect Pty Limited. Costs incurred in the transaction amounted to £199,000.

5(c) Impairment of financial assets

Part of the consideration for the disposal proceeds for the Systems Integration and Managed Services Divisions in June 2018 was retained by the purchaser for working capital purposes relating to a specific contract asset in respect of a customer contract which was due to be recovered after the completion of the sale. At 31 January 2020 £1.75m out of £2.0m has been paid to the Group, £196,000 has been written off and the remaining £54,000 has been included in other financial assets at amortised cost and is expected to be fully recovered.

6. Other income and expense items

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

6(a) Breakdown of expenses by nature

	2020	2019
	£'000	**£'000**
Raw materials and consumables used	**2,691**	1,825
Employee benefits and expenses	**2,486**	1,768
Depreciation	**79**	50
Amortisation	**122**	43
Marketing	**595**	270
Business combination costs	**199**	20
Other expenses	**1,262**	1,061
Less: capitalised employee and contractor costs	**(113)**	-
Total cost of sales and administrative expenses	**7,321**	5,037

6(b) Employee benefits and expenses

	2020	2019
	£'000	**£'000**
Wages and salaries	**2,186**	1,642
Share based payments (see note 21)	**88**	(59)
Social security costs	**152**	140
Pension costs	**60**	45
Total remuneration	**2,486**	1,768

6(c) Average number of people employed

	2020	2019
	No.	**No.**
Sales	**9**	9
Software development and technical support	**20**	4
Administrative	**19**	20
Total employees	**48**	33

6(d) Finance income and cost

	2020 £'000	2019 £'000
Finance income		
Interest income from financial assets held for cash management	**11**	51
Finance income	**11**	51
Finance cost		
Interest charges on bank loans	**(14)**	(121)
Interest charges on lease liabilities	**(8)**	-
Other interest charges	**(1)**	-
Finance costs expenses	**(23)**	(121)
Net finance costs	**(12)**	(70)

6(e) Reorganisation and transactional

	2020 £'000	2019 £'000
Reorganisation costs	**-**	235
Transactional costs	**199**	20
	199	255

The reorganisation costs include both employee salary, redundancy and other exit costs and other restructuring costs. In 2020, transactional items include the costs involved with the acquisition of SpaceConnect Pty Limited, whilst the 2019 transactional items related to acquisition of Swiped On Limited.

7. Taxation

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

7(a) Income tax expense

	2020 £'000	2019 £'000
Current tax		
Current tax (benefit) / expense for the year	**(514)**	(445)
Total current tax (benefit) / expense	**(514)**	(445)
Deferred tax		
Decrease / (increase) in deferred tax assets	**(450)**	-
Increase / (decrease) in deferred tax liabilities	**41**	(1,129)
Total deferred tax expense / (benefit)	**(409)**	(1,129)
Income tax (benefit) / expense	**(923)**	(1,574)
Income tax expense is attributable to: Loss from continuing operations	**(468)**	(1,087)
Loss from discontinued operations	**(455)**	(487)
	(923)	(1,574)

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

	2020	2019
	£'000	**£'000**
Loss from continuing operations before income tax expense	**(2,376)**	(4,213)
(Loss) / profit from discontinued operations before income tax expense	**(8,429)**	2,039
	(10,805)	(2,174)
Tax at the UK corporation tax rate of 19 % (2019: 19%)	**(2,053)**	(413)
Tax effects of amounts which are not deductible in calculating taxable income:		
Non-deductible expenses	**474**	723
Effect of non-taxable income	**(4)**	(445)
Effect of different tax rates for loss utilisation / overseas rates	**7**	12
Research and development relief	**(223)**	(445)
Unused tax losses not recognised as assets	**898**	31
Adjustment from prior year	**(2)**	(5)
Utilisation of previously unrecognised tax losses	**(19)**	-
Derecognition / recognition of tax losses	**-**	(1,026)
Effect of change in tax rates	**(1)**	(6)
Income tax (benefit) / expense	**(923)**	(1,574)

7(c) Amounts recognised directly in equity

There are no amounts of tax recognised directly in equity.

7(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	2020	2019
	£'000	**£'000**
Continuing operations	**-**	-
Discontinued operations	**5,228**	180
Potential tax benefit at 17%	**889**	31

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

7(e) Unrecognised temporary differences

	2020	2019
	£'000	**£'000**
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised: Foreign currency translation	**(147)**	406
	(147)	406

Temporary differences of £147,000 (2019: £406,000) have arisen as a result of the translation of the Group's subsidiaries in New Zealand and Australia. A deferred tax liability has not been recognised because the liability will only crystallise in the event of the disposal of the subsidiaries, and no such disposal is expected in the foreseeable future.

8. Financial assets and liabilities

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

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

The Group has the following financial instruments:

Financial assets	Notes	2020	2019
		£'000	**£'000**
Financial assets at amortised cost:			
Trade receivables	8(a)	**475**	2,023
Other financial assets at amortised cost	8(b)	**116**	1,112
Cash and cash equivalents	8(c)	**2,587**	8,053
		3,178	11,188

Financial liabilities	Notes	2020	2019
		£'000	**£'000**
Financial liabilities at amortised cost:			
Trade and other payables	8(d)	**1,233**	2,541
Lease liabilities	9(b)	**179**	-
Borrowings	8(e)	**401**	426
		1,813	2,967

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

8(a) Trade receivables and other receivables

	2020	2019
	£'000	**£'000**
Trade receivables	**475**	2,023
Other receivables	**-**	-
	475	2,023

Classification of trade receivables

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

Fair value of trade receivables

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

Impairment and risk exposure

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

8(b) Other financial assets at amortised cost

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

	2020	2019
	£'000	**£'000**
Contingent consideration	**54**	1,000
Other receivables	**62**	112
	116	1,112

Impairment and risk exposure

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

8(c) Cash and cash equivalents

	2020	2019
	£'000	**£'000**
Current assets		
Cash at bank and in hand	**2,587**	8,053

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

8(d) Trade and other payables

	2020	2019
	£'000	**£'000**
Current liabilities		
Trade payables	**695**	823
Payroll tax and other statutory liabilities	**264**	147
Accrued expenses	**218**	1,402
Other payables	**56**	169
	1,233	2,541

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

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

8(e) Borrowings

	2020 Current	2020 Non-Current	2020 Total	2019 Current	2019 Non-Current	2019 Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bank overdrafts	**-**	**-**	**-**	-	-	-
Bank loans	**401**	**-**	**401**	24	402	426
Total secured borrowings	**401**	**-**	**401**	24	402	426

Secured liabilities and assets pledged as security

The bank loan of £401,000 (2019: £426,000) is secured by a mortgage over the associated freehold land and building.

Fair value

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

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

9. Non-financial assets and liabilities

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

9(a) Property, plant and equipment

	Freehold land buildings	Leasehold improvements	Fixtures & fittings	Plant & machinery	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 February 2018						
Cost or fair value	649	626	143	46	1,737	3,201
Accumulated depreciation	(9)	(367)	(70)	(17)	(1,124)	(1,587)
Net book amount	640	259	73	29	613	1,614
Year ending 31 January 2019						
Opening net book amount	640	259	73	29	613	1,614
Additions	-	2	-	-	243	245
Acquisition of subsidiary	-	-	-	-	12	12
Disposals	-	-	-	(10)	(39)	(49)
Disposal of subsidiaries	-	(209)	(55)	-	(537)	(801)
Depreciation charge	(14)	(52)	(15)	(12)	(141)	(234)
Closing net book amount	626	-	3	7	151	787
At 31 January 2019						
Cost or fair value	649	-	10	36	257	952
Accumulated depreciation	(23)	-	(7)	(29)	(106)	(165)
Net book amount	626	-	3	7	151	787
Year ending 31 January 2020						
Opening net book amount	**626**	**-**	**3**	**7**	**151**	**787**
Additions	**-**	**-**	**-**	**-**	**49**	**49**
Acquisition of subsidiary	**-**	**-**	**-**	**-**	**4**	**4**
Disposals	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Depreciation charge	**(13)**	**-**	**-**	**(3)**	**(31)**	**(47)**
Additions – disposal group	**-**	**56**	**-**	**-**	**175**	**231**
Disposals – disposal group	**-**	**-**	**-**	**-**	**(9)**	**(9)**
Depreciation charge – disposal group	**-**	**(5)**	**-**	**-**	**(81)**	**(86)**
Transfer to disposal group	**-**	**(51)**	**-**	**-**	**(185)**	**(236)**
Foreign exchange impact	**-**	**-**	**-**	**-**	**1**	**1**
Closing net book amount	**613**	**-**	**3**	**4**	**73**	**693**
At 31 January 2020						
Cost or fair value	**649**	**-**	**13**	**13**	**126**	**801**
Accumulated depreciation	**(36)**	**-**	**(10)**	**(9)**	**(53)**	**(108)**
Net book amount	**613**	**-**	**3**	**4**	**73**	**693**

Leased assets

Leased assets are presented as a separate line item in the balance sheet, see note 9(b) for details.

Non-current assets pledged as security

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

Depreciation methods and useful lives

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

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

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

9(b) Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2020	2019
	£'000	**£'000**
Right-of-use assets		
Buildings	**164**	-
	164	-

	2020	2019
	£'000	**£'000**
Lease liabilities		
Current	**46**	-
Non-current	**133**	-
	179	-

Additions to the right-of-use assets during the 2020 financial year were £195,000

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2020	2019
	£'000	**£'000**
Depreciation charge on right-of-use assets		-
Buildings - continuing operations	**32**	-
Buildings - discontinued operations	**79**	-
	111	-
Interest expense (included in finance costs)	**8**	-
Expense relating to short-term leases (included in administrative expenses)	**109**	-
Expense relating to leases of low value assets (included in administrative expenses)	**-**	-

The total cash outflow for all leases within continuing activities in the year ended 31 January 2020 was £134,000. The incremental borrowing rate used in calculating lease liabilities in continuing operations is 6.6%.

(iii) The Group's leasing activities and how these are accounted for

The Group leases offices and office refurbishments. Rental contracts are for fixed periods of 4 to 10 years. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until 31 January 2019 leases of property, plant and equipment were classified as either finance leases or operating leases, see note 25(h) for details. From 1 February 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

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

(iv) Extension and termination options

Extension and termination options are included in leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The extension and termination options held are exercisable only by the group and not by the lessor.

9(c) Intangible assets

	Goodwill	Internally generated software	Customer contracts	Brand assets	Intellectual property	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 31 January 2019						
Cost	20,066	1,520	2,500	-	1,251	25,337
Accumulated amortisation and impairment	(7,834)	(154)	(335)	-	(570)	(8,893)
Net book amount	12,232	1,366	2,165	-	681	16,444
Year ended 31 January 2019						
Opening net book amount	12,232	1,366	2,165	-	681	16,444
Additions	-	1,782	-	-	90	1,872
Acquisition of subsidiary	4,860	-	-	291	425	5,576
Disposal of subsidiaries	(10,252)	-	(1,422)	-	(183)	(11,857)
Exchange differences	294	-	-	16	26	336
Impairment	-	(297)	-	-	-	(297)
Amortisation charge	-	(514)	(143)	(9)	(156)	(822)
Closing net book amount	7,134	2,337	600	298	883	11,252
At 31 January 2019						
Cost	7,134	3,302	812	307	1,081	12,636
Accumulated amortisation and impairment	-	(965)	(212)	(9)	(198)	(1,384)
Net book amount	7,134	2,337	600	298	883	11,252
Year ended 31 January 2020						
Opening net book amount	7,134	2,337	600	298	883	11,252
Additions	-	130	-	-	-	130
Acquisition of subsidiary	2,336	-	-	-	993	3,329
Amortisation charge	-	(3)	(21)	(30)	(68)	(122)
Additions – disposal group	-	1,558	-	-	-	1,558
Amortisation charge – disposal group	-	(868)	(61)	-	(63)	(992)
Impairment – disposal group	(835)	(1,083)	(367)	-	(384)	(2,669)
Transfer to disposal group	-	(1,413)	-	-	-	(1,413)
Exchange differences	(470)	-	-	(19)	(76)	(565)
Closing net book amount	**8,165**	**658**	**151**	**249**	**1,285**	**10,508**
At 31 January 2020						
Cost	8,165	661	207	286	1,363	10,682
Accumulated amortisation and impairment	-	(3)	(56)	(37)	(78)	(174)
Net book amount	**8,165**	**658**	**151**	**249**	**1,285**	**10,508**

Amortisation methods and useful lives

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

- Internally generated software 3 years
- Customer contracts 10 years
- Intellectual property 10 years
- Brand asset 10 years

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

Customer contracts

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

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

The Group has acquired a number of intangible assets as part of its acquisitions of Anders & Kern Limited in May 2017, SwipedOn Limited in October 2018, and SpaceConnect Pty Limited in November 2019. At 31 January 2020 the carrying amount of these assets was £1,685,000 (2019: £1,781,000). The Group estimates the useful life of the acquired intangibles to be 10 years based on their expectation of the period over which the Group will continue to derive benefit from such assets. However, the actual useful life might be longer or shorter than 10 years depending on customer attrition, technical innovation or competitor actions. If the estimated useful life was only five years, the carrying amount would be £1,549,000 at 31 January 2020.

Transfer to disposal group

Smartspace Global has been reclassified to discontinued activities for the year ending 31 January 2020 (details of which can be found in note 16) therefore all non-current assets within this business segment have been re-classified to assets held for sale within current assets.

Impairment tests for goodwill

Goodwill is monitored by management at an entity level.

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

	2020	2019
	£'000	**£'000**
Smartspace Global	**-**	835
Space Connect	**2,222**	-
SwipedOn	**4,799**	5,155
Anders & Kern	**1,144**	1,144
Net book amount	**8,165**	7,134

Goodwill on consolidation has been allocated for impairment testing purposes between the cash-generating units ("CGUs") and these CGU's aligned to the Group's segments. There are three CGU's, Swiped On, Space Connect and Anders & Kern.

The recoverable amount of the CGU aligned to the SwipedOn division are based on 'value in use' calculations using cash flow projections approved by the Directors covering a four-year period with a terminal growth rate of 2% thereafter. The projections are based on the assumption that the Group can realise projected revenue growth of 87% in 2021, 54% in 2022, 33% in 2023 and 25 % in 2024. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. If revenue growth falls below 47% of forecast growth, then an impairment would be required.

The projections for the CGU aligned to the Anders & Kern division are based on revenue remaining at or below current levels for the next 4 years with a gross margin of 29%. The calculation of terminal value has utilised growth rates of 2% from year 5 onwards. Sensitivity analysis indicates that If revenue were more than 10% below forecast levels an impairment would be required.

The projections for the CGU aligned to the Space Connect division are based on revenues being generated from new products that are expected to be released in the next 12 months with continued growth in these revenues over the next 3 years. Should these products not be launched, or revenues grow at a rate below 42% of that forecast, then an impairment may be required.

A pre-tax discount rate of 11.4% (2019: 9.8%) has been used for the CGU value in use calculations. This rate takes into consideration the Group's cost of capital, the expected rate of return and various risks relating to the CGU. At the year end, based on these assumptions there is no indication of impairment in the remaining goodwill. Sensitivity analysis indicates that if the pre-tax discount rate increased by 2% this would not give rise to an impairment charge for any CGU.

9(d) Deferred tax balances

Deferred tax assets

	2020	2019
	£'000	**£'000**
The balance comprises temporary differences attributable to:		
Tax losses	**1,229**	1,412
Contract liabilities	**156**	59
Employee benefits	**46**	24
Total deferred tax assets	**1,431**	1,495
Set-off of deferred tax liabilities pursuant to set-off provisions	**(583)**	(762)
Net deferred tax assets	**848**	733

The deferred tax assets include an amount of £1,021,000 which relates to carry-forward tax losses of SmartSpace Software plc. The Group has concluded that the deferred tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to generate taxable income from 2022 onwards. The losses can be carried forward indefinitely. Deferred tax losses have been calculated using a tax rate of 17% which was the rate expected to be applicable when the benefit would be realised. Subsequent to the year end the rate of tax expected to be applicable when the benefit is realised has been increased to 19%.

Deferred tax asset movement	Share based payments	Contract liabilities	Tax losses	Total
	£'000	**£'000**	**£'000**	**£'000**
At 31 January 2019	24	59	1,412	1,495
Income to profit and loss – continuing activities	22	101	421	544
Expense to profit and loss – discontinued activities	-	-	(95)	(95)
Transfer to disposal group	-	-	(507)	(507)
Exchange differences	-	(4)	(2)	(6)
At 31 January 2020	**46**	**156**	**1,229**	**1,431**

Deferred tax liabilities

	2020	2019
	£'000	**£'000**
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**37**	44
Intangible assets	**546**	718
Total deferred tax liabilities	**583**	762
Set-off of deferred tax liabilities pursuant to set-off provisions	**(583)**	(762)
Net deferred tax liabilities	**-**	-

Deferred tax liability movement	Accelerated tax depreciation	Total
	£'000	**£'000**
At 1 February 2018	583	583
Charged to profit or loss	320	320
Acquisition of subsidiary	136	136
Disposal of subsidiaries	(284)	(284)
Exchange differences	7	7
At 31 January 2019	**762**	**762**
Expense to profit and loss – continuing activities	**99**	**99**
Income to profit and loss – discontinued activities	**(47)**	**(47)**
Acquisition of subsidiary	**283**	**283**
Transfer to disposal group	**(507)**	**(507)**
Exchange differences	**(7)**	**(7)**
At 31 January 2020	**583**	**583**

9(e) Inventories

	2020	2019
	£'000	**£'000**
Finished goods – at cost	**345**	364

Inventories recognised as an expense during the year ended 31 January 2020 amounted to £2,692,000 (2019: £1,826,000). These were included in cost of sales and the cost of providing other services. Stock provisions amounting to £16,000 were made during the year.

9(f) Prepayments

	2020	2019
	£'000	**£'000**
Prepayments	**67**	109

9(g) Provisions

The Group had provisions as follows:

	Dilapidations
	£'000
Balance at 1 February 2019	5
Provisions reversed during the year	(5)
Disposal of subsidiary	-
Balance at 31 January 2020	-
Current	-
Non-current	-
Balance at 31 January 2020	-

10. Equity

10(a) Share capital and share premium

	2020	2019	2020	2019
	Number	**Number**	**£'000**	**£'000**
Allotted, called up and fully paid:				
Ordinary shares of 10p each	**28,255,823**	22,157,413	**2,826**	2,216

Movement in ordinary shares

	Shares issued		Share capital	Share premium	Merger reserve	Total
	Number	**Price (p)**	**£'000**	**£'000**	**£'000**	
At 31 January 2019	22,157,413		2,216	1,058	-	3,274
Shares issued in cash placing	**4,747,587**	**72.5**	**475**	**2,772**	**-**	**3,247**
Shares issued for acquisition	**1,350,823**	**72.5**	**135**	**-**	**844**	**979**
At 31 January 2020	**28,255,823**		**2,826**	**3,830**	**844**	**7,500**

In November 2019, the Group issued 1,350,823 new ordinary shares as part of the consideration for the acquisition of SpaceConnect Pty Limited and 4,747,587 new ordinary shares for cash to fund the acquisition and ongoing Group working capital requirement.

Ordinary shares

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

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

Options

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

10(b) Other reserves

	Acquisition deferred consideration reserve	Merger reserve	Reverse acquisition reserve	Translation reserve	Share option reserve	Total other reserves
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 February 2018	-	-	(4,236)	-	433	(3,803)
Currency translation differences	-	-	-	406	-	406
Other comprehensive income	-	-	-	406	-	406
Transactions with owners in their capacity as owners:						
Share-based payment expense - continuing operations	-	-	-	-	(59)	(59)
Share-based payment expense - discontinued operations	-	-	-	-	64	64
Lapsed share options	-	-	-	-	(310)	(310)
At 31 January 2019	-	-	(4,236)	406	128	(3,702)
Currency translation differences	**-**	**-**	**-**	**(576)**	**-**	**(576)**
Other comprehensive income	**-**	**-**	**-**	**(576)**	**-**	**(576)**
Issue of ordinary shares as consideration for a business combination	**-**	**844**	**-**	**-**	**-**	**844**
Space Connect acquisition deferred share issue consideration	**489**	**-**	**-**	**-**	**-**	**489**
Share-based payment expense - continuing operations	**-**	**-**	**-**	**-**	**88**	**88**
Share-based payment expense - discontinued operations	**-**	**-**	**-**	**-**	**25**	**25**
At 31 January 2020	**489**	**844**	**(4,236)**	**(170)**	**241**	**(2,832)**

Nature and purpose of other reserves

The merger reserve is used when a share issue is undertaken, and merger relief is available. The conditions for merger relief are when the consideration for shares in another company includes issued shares of the acquirer and on completion of the transaction, the company issuing the shares will have secured at least 90% equity holding in the acquiree. The acquisition of SpaceConnect Pty Limited in November 2019 met the conditions for merger relief and was therefore accounted for under the merger relief provisions.

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

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

The acquisition deferred consideration reserve relates to deferred share consideration for the acquisition of subsidiaries.

The share-based payments reserve is used to recognise:

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

10(c) Retained earnings

The movements in retained earnings were as follows:

	2020	2019
	£'000	**£'000**
Balance at 1 January	**23,838**	24,127
Net loss for the period	**(9,882)**	(599)
Lapse of share options	**-**	310
Balance at 31 January	**13,956**	23,838

11. Cash flow information

11(a) Cash generated from operations

	2020	2019
	£'000	**£'000**
Loss before income tax from continuing operations	**(2,377)**	(2,109)
Adjustments for:		
Depreciation and amortisation	**201**	93
Non-cash employee benefit expense – share-based payments	**88**	(59)
Net loss/(gain) on sale of non-current assets	**1**	(14)
Finance costs - net	**12**	70
Credit losses	**205**	-
Gain on derecognition of contingent consideration payable	**-**	(50)
Net exchange differences	**(1)**	93
Change in operating assets and liabilities of continuing operations, net of effects from purchase of SpaceConnect Pty Limited		
Movement in trade and other receivables	**98**	(67)
Movement in accrued income	**(30)**	(2)
Movement in inventories	**19**	(291)
Movement in prepayments	**(15)**	66
Movement in trade creditors	**72**	350
Movement in other creditors	**(208)**	-
Movement in deferred income	**91**	311
Movement in other provisions	**(5)**	(50)
Cash consumed by continuing operations	**(1,849)**	(1,659)
Loss before income tax from discontinued operations	**(8,429)**	(65)
Adjustments for:		
Depreciation and amortisation	**1,157**	963
Impairment of intangible assets	**2,669**	297
Non-cash employee benefit expense – share-based payments	**25**	64
Net gain on sale of on-current assets	**7**	-
Finance costs - net	**2**	2
Credit losses	**31**	-
Net exchange differences	**(23)**	-

continued overleaf

Profit on sale of discontinued operations	**-**	(1,542)
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	**479**	(2,294)
Movement in accrued income	**97**	(5,521)
Movement in inventories	**-**	(12)
Movement in prepayments	**(139)**	272
Movement in trade creditors	**(113)**	5,417
Movement in other creditors	**(629)**	-
Movement in deferred income	**816**	602
Movement in other provisions	**-**	7
Cash generated from discontinued operations	**(4,050)**	(1,810)
Cash generated from operations	**(5,899)**	(3,469)

11(b) Net debt reconciliation

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

	2020	2019
	£'000	**£'000**
Cash and cash equivalents	**2,587**	8,053
Borrowings	**(401)**	(426)
Lease liabilities in continuing activities	**(179)**	-
Net cash	**2,007**	7,627
Cash and cash equivalents	**2,587**	8,053
Gross debt – fixed interest rates	**(179)**	-
Gross debt – variable interest rates	**(401)**	(426)
Net cash	**2,007**	7,627

	Cash/bank overdraft	Borrowings	Leases	Total
	£'000	**£'000**	**£'000**	**£'000**
At 31 January 2018	3,443	(2,226)	-	1,217
Cash flows	4,610	1,800	-	6,410
At 31 January 2019	8,053	(426)	-	7,627
New leases	**-**	**-**	**(1,084)**	**(1,084)**
Cashflows	**(5,446)**	**25**	**85**	**(5,336)**
Transfer to disposal group	**-**	**-**	**814**	**814**
Effect of foreign exchange rate movements	**(20)**	**-**	**6**	**(14)**
At 31 January 2020	**2,587**	**(401)**	**(179)**	**2,007**

11(c) Non-cash investing and financing activities

	2020	2019
	£'000	**£'000**
Acquisition of right of use assets by means of lease	**1,084**	-
Deferred partial settlement of business combination through share issue	**466**	-
Partial settlement of business combination through share issue	**979**	1,196

12. Critical accounting estimates and judgements

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

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

12(a) Critical estimates

The areas involving critical estimates are:

- estimated useful lives of intangible assets (see note 9(c))
- fair value of goodwill (see note 9(c))
- fair value of acquired intangible asset on the acquisition of SpaceConnect Pty Limited (see note 15)
- fair value less cost to sell of Smartspace Global disposal group (see note 16)

12(b) Critical judgements

The areas involving critical judgements are:

- recognition of revenue and transaction allocation price (see note (4(c))
- recognition of deferred tax asset for carried-forward tax losses (see note 9(d))

13. Financial risk management

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

13(a) Derivatives

The Group does not hold any derivative financial instruments.

13(b) Market risk

Foreign currency risk

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

Cash flow and fair value interest rate risk

The Group's borrowings which comprise a mortgage with Barclays secured on the associated freehold land and buildings carry a variable rate interest rate dependent upon the Bank of England base rate. As the Group maintains cash reserves in excess of the borrowings value the interest rate risk is not considered significant.

13(c) Credit risk

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

Risk management

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

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

Security

The Group does not obtain security for trade receivables.

Impairment of financial assets

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

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

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

Trade receivables

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

To measure expected credit losses, trade receivable and contract assets have been grouped based on shared credit risk characteristics and days past due. The contract assets relate to uninvoiced work in progress and software licences with deferred payments terms and have substantially the same risk characteristics as the trade receivables for the same types on contract. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 January 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified Global and country specific GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes to this factor. On that basis the loss allowance at 31 January 2020 was determined as follows for both trade receivables and contract assets:

31 January 2020	Current	1 -30 days past due	31 – 60 days past due	61 – 90 days past due	91 -180 days past due	181 – 360 days past due	Total
Expected loss rate (%)	**0.3%**	**0.5%**	**1.9%**	**7.8%**	**12.6%**	**34.5%**	**0.4%**
Gross carrying amount – trade receivables (£'000)	**355**	**105**	**9**	**3**	**1**	**2**	**475**
Gross carrying amount – contract assets (£'000)	**32**	**-**	**-**	**-**	**-**	**-**	**32**
Loss allowance – trade receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss allowance – contract assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The closing loss allowances for trade receivables and contract assets as at 31 January 2020 reconcile to the opening loss allowances as follows:

	Contract assets 2020	Contract assets 2019	Trade receivables 2020	Trade receivables 2019
	£'000	**£'000**	**£'000**	**£'000**
At 1 February	**19**	-	**12**	-
Transferred to disposal group	**(19)**	-	**(12)**	-
Increase in loan loss allowance recognised in profit or loss during the year	**-**	19	**9**	12
Receivables written off during the year as uncollectible	**-**	-	**(9)**	-
Unused amounts reversed	**-**	-	**-**	-
At 31 January	**-**	19	**-**	12

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

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

Other financial assets at amortised cost

Other financial assets at amortised cost comprise contingent consideration and other receivables. Assessments of significant increases in credit loss risk and assumptions about the risk of default are made in determining the expected credit loss rates from these assets.

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

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

	2020	2019
	£'000	**£'000**
Impairment losses		
- individually impaired receivables (previous accounting policy)	**-**	(20)
- movement in loss allowance for trade receivable and contract assets	**9**	30
Impairment losses on other financial assets	**196**	-
Net impairment losses on financial and contract assets	**205**	10

13(d) Liquidity risk

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

Maturity of financial liabilities

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

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

Contractual maturity of financial liabilities At 31 January 2020	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	**695**	**-**	**-**	**-**	**-**	**695**	**695**
Borrowings	**13**	**388**	**-**	**-**	**-**	**401**	**401**
Lease liabilities	**23**	**23**	**49**	**84**	**-**	**179**	**179**
Total	**731**	**411**	**49**	**84**	**-**	**1,275**	**1,275**

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

14. Capital management

14(a) Risk management

The Group considers its capital to comprise its ordinary share capital, share premium account, other reserves and retained earnings as its capital reserves. A summary of the amounts of capital in each of these categories is shown in the consolidated statement of changes in equity on page 44.

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

14(b) Dividends

The Group does not currently pay a dividend.

15. Business combinations

15(a) Summary of acquisition

On 1 November 2019 the Group acquired 100% of the issued share capital of SpaceConnect Pty Limited. Space Connect Pty Limited, based in Australia, is a rapidly deployable cloud-based space management software business. The software integrates with a number of leading applications and offers the Group savings on future anticipated development. Future management of Space Connect will be from the UK.

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

	£'000
Purchase consideration:	
Cash paid	**1,602**
1,350,823 ordinary shares issued	**979**
675,411 deferred consideration shares to be issued on 30 April 2021	**490**
Total purchase consideration	**3,071**

The fair value of the 1,350,823 ordinary shares and 675,411 deferred consideration ordinary shares for the acquisition SpaceConnect Pty Limited was based on the issue price of the cash placing shares which were issued at the same time as the acquisition of SpaceConnect Pty Limited amounting to 72.5 pence per share.

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

	Fair value
	£'000
Intangible assets	**993**
Property, plant and equipment	**4**
Prepayments	**-**
Other financial assets at amortised cost	**41**
Trade and other receivables	**3**
Cash and cash equivalents	**13**
Trade and other payables	**(9)**
Contract liabilities	**(12)**
Deferred tax liability	**(298)**
Net identifiable assets acquired	**735**
Add: Goodwill	**2,336**
Net assets acquired	**3,071**

The goodwill of £2,336,000 arising from the acquisition consists of the expertise and experience of the SpaceConnect assembled workforce together with development synergies expected to be realised from the acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Acquired receivables

The fair value of the financial assets including trade receivables with a fair value and gross contractual value of £3,000. The best estimate at acquisition date of the contractual cash flows to be collected was £3,000.

Acquired intangible assets

The intangible assets identified at acquisition comprise intellectual property with a fair value at acquisition of £993,000.

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.

Revenue and profit contribution

The acquired business contributed revenues of £39,000 and net loss after tax of £224,000 to the Group for the period from 1 November 2019 to 31 January 2020.

If the acquisition of SpaceConnect Pty Limited had been completed on the first day of the financial year the Group's revenue would have been £5,177,000 and the Group's continuing loss after tax would have been £2,023,000 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 2019, together with the consequential tax effects.

15(b) Purchase consideration – cash outflow

	2020	2019
	£'000	**£'000**
Outflow of cash to acquire subsidiary net of cash acquired		
Cash consideration	**1,602**	4,277
Less: balances acquired	**(13)**	(312)
Net outflow of cash	**1,589**	3,965

Acquisition-related costs

Acquisition related costs of £199,000 (2019: £25,000) that were not directly attributable to the issue of shares are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows.

16. Discontinued operations

16(a) Description

In January 2020 the Board resolved to initiate a process to dispose of the Group's investment in Smartspace Global Limited ("SSG disposal group". A buyer was identified and the disposal completed in August 2020. The financial performance of the SSG disposal group is therefore reported in discontinued activities for the current and prior period. Assets and directly associate liabilities of the SSG disposal group are included within assets held for sale at the current balance sheet date only.

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 Communica disposal group") and is reported in the prior period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

16(b) Financial performance and cash flow information

The financial performance and cash flow information relating to disposal groups are presented below. Information for SSG relates to the entire financial years 2019 and 2020. Information relating to Communica relates to the period from 1 February 2018 to the date of disposal being 15 June 2018 (2019 column).

	2020	2019	2019	2019
	SSG	**SSG**	**Communica**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	**2,183**	3,348	25,495	28,843
Expenses	**(7,942)**	(5,452)	(24,997)	(30,449)
(Loss) / profit before income tax	**(5,759)**	(2,104)	498	(1,606)
Impairment of assets in disposal group	**(2,669)**	-	-	-
Waiver of intercompany loan to Parent Company	**-**	-	(1,403)	(1,403)
Loss before tax	**(8,428)**	(2,104)	(905)	(3,009)
Income tax expense	**455**	643	(156)	487
Loss after income tax of discontinued operations	**(7,973)**	(1,461)	(1,061)	(2,522)
Gain on disposal of subsidiary after income tax (see note 16)	**-**	-	2,945	2,945
Net (loss) profit attributable to discontinued operations	**(7,973)**	(1,461)	1,884	423

	2020	2019	2019	2019
	SSG	**SSG**	**Communica**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Net cash inflow from operating activities	**2,319**	(1,936)	130	(1,806)
Net cash (outflow) / inflow from investing activities	**(1,257)**	(1,860)	15,751	13,891
Net cash outflow from financing activities	**(68)**	(13)	-	(13)
Net increase in cash generated by the subsidiaries	**994**	(3,809)	15,881	12,072

16(c) Assets and liabilities of disposal group classified as held for sale

	2020	2019
	£'000	**£'000**
Assets classified as held for sale		
Property, plant and equipment	**236**	-
Right-of-use assets	**801**	-
Intangible assets	**1,413**	-
Contract assets	**2,134**	-
Trade and other receivables	**880**	-
Other financial assets at amortised cost	**821**	-
Prepayments	**195**	-
Total assets of disposal group held for sale	**6,480**	-
Liabilities directly associated with assets classified as held for sale		
Lease liabilities	**(812)**	-
Trade and other payables	**(304)**	-
Contract liabilities	**(997)**	-
Total liabilities of disposal group held for sale	**(2,113)**	-
Net assets of disposal group	**4,367**	-

The carrying amount of assets classified as held for sale has been impaired to fair value less cost to sell as measured with information available at 31 January 2020. This measurement takes into account expectations of management from reasonably advanced discussions with potential buyers of the disposal group. Costs of disposal have been estimated to include forecast costs which will be incurred to ensure the business remains in a viable position to be disposed and directly associated costs of disposal such as legal expenses and staff incentives. The liabilities above do not include intercompany liabilities of £12.3m which are cancelled on consolidation. The impairment recorded against intangible assets within the disposal group amounts to £2,669,000.

17. Interests in other entities

The Group's subsidiaries at 31 January 2020 are set out below. Unless otherwise stated they have share capital consisting solely of ordinary shares, and the proportion of ownerships interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of interest.

Name	Registered office	Country	Proportion of ownership interest %	Proportion of voting power held %	Principal activity business
SmartSpace Global Limited	Building 250, The Village Butterfield Luton LU2 8DL	UK	100	100	Software
Easter Road Holdings Limited	Norderstedt House James Carter Road, Mildenhall, Bury St. Edmunds, England, IP28 7RQ	UK	100	100	Holding company
Anders + Kern (U.K.) Limited	Norderstedt House James Carter Road, Mildenhall, Bury St. Edmunds, England, IP28 7RQ	UK	100	100	Infrastructure
SmartSpace USA Incorporated	874 Walker Road, Suite C, Dover, Kent 19904 USA	USA	100	100	Dormant
SmartSpace Software Limited	115 The Strand, Tauranga, 3110, New Zealand	New Zealand	100	100	Holding company
SwipedOn Inc	2035 Sunset Lake Rd Suite B-2, Newark New Castle, Delaware USA	USA	100	100	Dormant
SwipedOn Limited	115 The Strand, Tauranga, 3110, New Zealand	New Zealand	100	100	Software
Smartspace Software Pty Limited	Nexia Sydney, Level 16, 1 Market Street, Sydney, NSW, 2000	Australia	100	100	Holding company
Space Connect Limited	Norderstedt House James Carter Road, Mildenhall, Bury St. Edmunds, England, IP28 7RQ	UK	100	100	Software
Space Connect Pty Limited	3/36 York Street, Sydney NSW 2000 Australia	Australia	100	100	Software

All subsidiary undertakings are included in the consolidation.

18. Commitments

18(a) Capital commitments

There were no capital commitments at 31 January 2020 (2019: £nil).

18(b) Non-cancellable operating leases

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

From 1 February 2019, the group has recognised right-of-use assets for these leases, except for short term and low-value leases, see note 9(b) and note 26 for further information.

	2020	2019
	£'000	**£'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	119
After one year but no more than 5 years	-	2
	-	121

Rental expense relating to operating leases

	2020	2019
	£'000	**£'000**
Minimum lease payments	-	127

19. Events occurring after the end of the reporting period

On 13 August 2020 the Group completed the disposal of its investment in SmartSpace Global Limited for cash consideration of £4.6m and deferred consideration of £0.4m. The decision to commence a disposal process for this business was made before 31 January 2020 and therefore the assets and directly associated liabilities of this business have been included within assets held for sale and financial performance included within discontinued activities.

The sale of Smartspace Global provides additional working capital to be used to fund the growth of the Group's remaining divisions.

20. Related party transactions

20(a) Subsidiaries

Interests in subsidiaries are set out in note 17.

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

20(b) Key management personnel compensation

	2020	2019
	£'000	**£'000**
Short term employment benefits	**641**	911
Post-employment benefits	**15**	14
Long-term benefits	-	-
Termination benefits	-	50
Share-based payments	**105**	48
	761	1,023

20(c) Directors

	2020	2019
	£'000	**£'000**
Aggregate emoluments	**484**	911
Aggregate amounts received under long-term incentive schemes	**-**	-
Company contributions to money purchase pension schemes	**6**	15
	490	926

Detailed remuneration disclosures are provided in the Directors' remuneration section in the remuneration report on pages 24 and 25.

Directors' fees

Directors fees of £40,000 (2019: £40,000) were charged by Warspite Limited, a company connected to Diana Dyer Bartlett, in respect of services provided by Diana Dyer Bartlett; £nil (2019: £nil) was outstanding at the year end.

Directors fees of £60,000 (2019: £55,000) were charged by VZ Limited, a company connected to Guy van Zwanenberg, in respect of services provided by Guy van Zwanenberg; £6,067 (2019: £nil) was outstanding at the year end.

Products and services

During the year the Company made purchases from a related party named Dotmailer Limited. The purchases were made in the normal course of business. Dotmailer Limited was related to the Group by Frank Beechinor-Collins being a member of the key management personal of both companies until 26 March 2019 when he stepped down from his role with Dotmailer. Whilst a related party the purchases amounted to £312 (2019: £4,157).

21. Share based payments

The Group operates three equity settled share-based payments plans: an EMI scheme, an Unapproved share scheme and an all employee SAYE scheme. During the year the Group did not issue any options over ordinary shares under any of the schemes (2019: 1,002,900 under the EMI scheme, 353,100 under the Unapproved share scheme and 34,147 under the SAYE scheme).

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

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

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

21(a) Employee option plans

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

	2020		2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at start of the year	**1,730,473**	**106p**	1,699,446	112p
Granted during the year	**-**	**-**	1,390,147	97p
Forfeited during the year	**(246,458)**	**100p**	(1,359,120)	105p
Outstanding at end of year	**1,484,015**	**107p**	1,730,473	106p
Exercisable at end of year	**251,093**	**159p**	340,000	140p

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

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

Date granted	Expiry date	Type	Price per share	Share options 31 January 2020	Share options 31 January 2019
12 June 2013	11 June 2023	Warrants	500.00p	**40,000**	40,000
11 December 2015	10 December 2025	Options	92.00p	**200,000**	300,000
1 December 2016	1 July 2026	Options	127.00p	**11,093**	24,893
1 February 2017	1 September 2027	Options	127.00p	**1,422**	15,080
31 July 2018	30 July 2028	Options	101.25p	**346,500**	440,500
17 October 2018	16 October 2028	Options	94.00p	**885,000**	910,000
				1,484,015	1,730,473

The outstanding options at the year-end have an exercise price in the range of 92 pence to 500 pence (2019: 92 pence to 500 pence).

The weighted average remaining contractual life of the share options outstanding at the year end is 8 years and 1 months (2019: 8 years 12 months).

21(b) Fair value of options granted

No options were granted during the year ended 31 January 2020.

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

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

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

The expense recognised for equity-settled share-based payments during the year to 31 January 2020 was £113,000 (2019: £5,000).

22. Loss per share

22(a) Basic loss per share

	2020	2019
	Pence	**Pence**
Attributable to the ordinary equity holders of the Company:		
From continuing operations	**(8.05p)**	(4.83p)
From discontinued operations	**(33.65p)**	2.00p
Total basic loss per share	**(41.70p)**	(2.83p)

22(b) Diluted loss per share

	2020	2019
	Pence	**Pence**
Attributable to the ordinary equity holders of the Company:		
From continuing operations	**(8.05p)**	(4.83p)
From discontinued operations	**(33.65p)**	2.00p
Total diluted loss per share	**(41.70p)**	(2.83p)

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

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

	2020	2019
	£'000	**£'000**
Basic (loss) / earnings per share		
(Loss) /profit attributable to the ordinary equity holders of the Company:		
From continuing operations	**(1,909)**	(1,022)
From discontinued operations	**(7,973)**	423
	(9,882)	(599)
Diluted (loss) / earnings per shares		
(Loss) / profit attributable to the ordinary equity holders of the Company:		
From continuing operations	**(1,909)**	(1,022)
From discontinued operations	**(7,973)**	423
	(9,882)	(599)

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

	2020	2019
	Number	**Number**
Weighted average number of shares used as the denominator in calculating basic earnings per share	**23,694,546**	21,190,940
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	**23,694,546**	21,190,940

22(e) Information concerning the classification of securities

Options

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

Options which are antidilutive are not included in the calculation of diluted earnings per share for the year ended 31 January 2020. These options could potentially be dilutive in the future.

22(f) Alternative measure of earnings per share

	2020	2019
	£'000	**£'000**
Loss for the year	**(1,909)**	(1,022)
Adjustment to basic (loss)/earnings:		
Reorganisation and transactional costs	**199**	255
Tax credit on reorganisation and transactional costs	**(38)**	(48)
Amortisation of acquired intangibles	**119**	43
Deferred tax credit on amortisation of acquired intangibles	**(23)**	(8)
Impairment of intangible asset	**-**	-
Deferred tax credit on impairment of intangible asset	**-**	-
Share based payment charge	**88**	(59)
Deferred tax credit on share-based payment charge	**(17)**	11
Adjusted (loss)/earnings attributable to owners of the Company	**(1,581)**	(828)
Number of shares	**No.**	No.
Weighted average ordinary shares in issue	**23,694,546**	21,190,940
Weighted average potential diluted shares in issue	**23,694,546**	21,190,940
Adjusted (loss)/earnings per share		
Basic (loss)/earnings per share	**(6.67p)**	(3.91p)
Diluted (loss)/earnings per share	**(6.67p)**	(3.91p)

23. Assets pledged as security

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

	2020	2019
	£'000	**£'000**
Non-current		
Freehold land and buildings	**613**	626

24. Auditors' remuneration

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

	2020	2019
	£'000	**£'000**
Fees payable to the Company's auditors for the audit of Parent Company and consolidated financial statements:		
- Audit fees in relation to the year ended 31 January 2019	**6**	47
- Audit fees in relation to the year ended 31 January 2020	**46**	-
Fees payable to Company's auditors for other services:		
- Audit of subsidiary financial statements for the year ended 31 January 2019	**1**	58
- Audit of subsidiary financial statements for the year ended 31 January 2020	**25**	-
Audit-related assurance services	**-**	8
	78	113

25. Significant accounting policies

25(a) Basis of preparation

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability, if market participant would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis except for share-based payment transactions that are within the scope of IFRS 2.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 February 2019:

- IFRS 16, 'Leases';
- Annual improvements to IFRS standards 2015 – 2017 cycle.

The Group has changed its accounting policies following the adoption of IFRS 16. This is disclosed in note 26. None of the other amendments had an impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

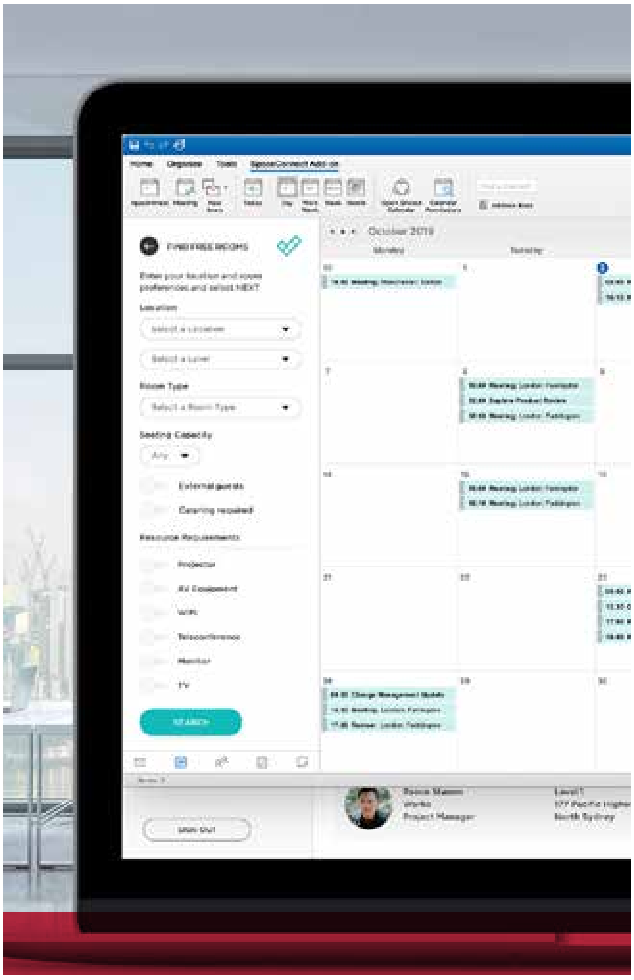
Certain new accounting standards and interpretations have been published that are not mandatory for the year end 31 January 2020 and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the Group has reported an operating loss of £2,365,000 for the year to 31 January 2020 (2019: £2,039,000 loss) and net cash outflow from continuing operating activities of £1,871,000 (2019: £1,659,000).

Immediately following the disposal of the Smartspace Global business in August 2020 the Group had £5.9m of gross cash, three operating segments and a central overhead to support. Cash forecasts for each segment and the consolidated group have been prepared for a period of eighteen months from the date of signing the balance sheet.

The SwipedOn division was initially impacted by COVID-19 through a reduction in new customer signups and increased customer churn in March and April 2020. Subsequently customer growth has returned to pre-Covid-19 levels and June and July 2020 saw record numbers of new locations added. Whilst customer retention has improved the churn is still higher than it was prior to March 2020. SwipedOn is currently cash generative at current levels of investment in new customer acquisition and product development. Whilst the Directors believe that SwipedOn will continue to perform well throughout the COVID-19 pandemic, stress tests have taken into account the possibility of reductions in new customer signups and increased customer churn.



The Space Connect division has recently completed its product development and its software has begun to be sold through a distribution channel together with sales of a white label version embedded within a major hardware producer's prospective product launch. Space Connect continues to be in a cash-burn phase whilst sales of these products grow however group cash resources are allocated towards this. Whilst the Directors believe that COVID-19 will have a positive impact on sales of these products, stress tests have taken into account scenarios whereby sales growth and new customer and distributor wins occur at a much reduced rate.

The Anders & Kern division which is focussed exclusively on UK based customers experienced significant reductions in sales volume due to the nationwide COVID-19 lockdown. The business took advantage of the UK Government's Job Retention Scheme by furloughing a large proportion of its workforce. Since lockdown restrictions have eased sales have begun to recover and staff have been partially brought back to work. Forecasts for the Anders & Kern division have assumed that over a period of 12 months sales will return to normal levels. Stress tests have included the possibility that sales remain subdued for the entire forecast period together with appropriate cost reductions.

On the basis of these consolidated forecasts and stress tests, the Directors believe that the Group can continue to operate within the resources currently available to it over the forecast period.

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

25(b) Principles of consolidation

Subsidiaries

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

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

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

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

Equity method

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

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

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

Reverse acquisition accounting

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

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

Under reverse acquisition accounting:

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

Both adjustments have been included in the reverse acquisition reserve.

Merger reserve

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

25(c) Segment reporting

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

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

25(d) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

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

25(e) Revenue recognition

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

25(f) Government grants

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

25(g) Income tax

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

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited in other comprehensive income in which case the deferred tax is also dealt with in comprehensive income.

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

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

25(h) Leases

As explained in note 25(a) above, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described in note 9(b) and the impact of the change in note 26.

Until 31 January 2019 leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases (note 18b). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group has applied IFRS 16 retrospectively but chosen not to restate comparative information. As a result the comparative information continues to be accounted for in accordance with the Group's previous accounting policy.

25(i) Business combinations

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

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

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

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

The excess of the:

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

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

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

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

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

25(j) Impairment of tangible and intangible assets

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

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

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

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

25(k) Cash and cash equivalents

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

25(l) Trade receivables

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

25(m) Inventories

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

25(n) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

Measurement

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

Impairment

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

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

25(o) Property, plant and equipment

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

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

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

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

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

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

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

25(p) Intangible assets

Goodwill

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

Goodwill is allocated to cash- generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 3).

Internally generated intangible assets Research and development

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

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

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- an intention to complete the intangible asset and use or sell it;
- ability to use or sell the intangible asset, and
- the availability of adequate technical financial and other resources to complete the development and to use or sell the intangible asset.

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

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

Intangible assets acquired in a business combination

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

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

Amortisation methods and periods

Refer to note 9(c) for details about amortisation methods and periods used by the Group for intangible assets. Amortisation is charged to profit or loss and included within administrative expenses.

25(q) Trade and other payables

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

25(r) Borrowings

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

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

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

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

Cost of sale of goods represents the cost of hardware together with delivery cost supplied to customers.

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

25(t) Borrowing costs

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

25(u) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

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

25(v) Employment benefits

Short- term obligations

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

Post- employment obligations

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

Share-based payments

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

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

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

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

25(w) Contributed equity

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

25(x) Dividends

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

25(y) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

25(z) Rounding of amounts

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

26. Change in accounting policies

This note explains the impact of the adoption of IFRS 16 on the Group's financial statements.

As indicated in note 25(a) above, the Group has adopted IFRS 16 Leases retrospectively from 1 February 2019, but has not restated comparatives for the prior reporting period, as permitted under the specific transition provisions in the standard. No reclassifications or adjustments arising from the new leasing rules are required to the opening balance sheet on 1 February 2019 as the only leases which the Group was party to were leases which are classified as short term or low value. The new accounting policies are disclosed in note 9b.

On adoption of IFRS 16 the Group's reclassified its operating leases to short term leases with a term of 12 months or less and recognised the associated expense on a straight-line basis.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

	2020
	£'000
Operating lease commitments disclosed as at 31 January 2019	127
Less short-term leases not recognised as a liability	(127)
Lease liability recognised as at 1 February 2019	-

Parent company balance sheet

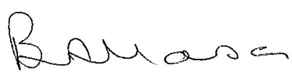
	Note	2020	2019
		£'000	**£'000**
ASSETS			
Non-current assets			
Investments	2(b)	**4,894**	4,894
Property, plant and equipment	2(a)	**16**	16
Financial assets at amortised cost		**12,151**	10,163
Deferred tax assets	3	**1,067**	788
Total non-current assets		**18,128**	15,861
Current assets			
Prepayments		**53**	39
Financial assets at amortised cost	1(a)	**85**	1,008
Other receivables	1(a)	**54**	-
Cash and cash equivalents		**638**	7,222
Total current assets		**830**	8,269
Total assets		**18,958**	24,130
LIABILITIES			
Non-current liabilities			
Provisions	2(c)	**-**	5
Total non-current liabilities		**-**	5
Current liabilities			
Trade and other payables	1(b)	**163**	390
Total current liabilities		**163**	390
Total liabilities		**163**	395
Net assets		**18,795**	23,735
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	4	**2,826**	2,216
Share premium	4	**3,830**	1,058
Other reserves	4	**1,574**	128
Retained earnings	4	**10,565**	20,333
Total equity		**18,795**	23,735

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

As permitted by Section 408 of the Companies Act 2006 no separate Parent company profit and loss account has been included in these financial statements. The Parent company loss for the period was £9,768,000 (2019: £9,912,000).

The financial statements were approved by the Board of Directors and authorised for issue on 5 October 2020.

They were signed on its behalf by:



Bruce Morrison
Chief Financial Officer   Company Number: 5332126

Parent Company statement of changes in equity

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 31 January 2018		2,078	-	433	10,111	12,622
Profit for the year		-	-	-	9,912	9,912
Total comprehensive profit for the year		-	-	-	9,912	9,912
Transactions with the owners:						
Proceeds from shares issued		138	1,058	-	-	1,196
Lapse of share options		-	-	(310)	310	-
Share based payment charge		-	-	5	-	5
At 31 January 2019		2,216	1,058	128	20,333	23,735
Loss for the year		**-**	**-**	**-**	**(9,768)**	**(9,768)**
Total comprehensive loss for the year		**-**	**-**	**-**	**(9,768)**	**(9,768)**
Issue of ordinary shares as consideration for a business combination		**135**	**-**	**844**	**-**	**979**
Proceeds from shares issued		**475**	**2,967**	**-**	**-**	**3,442**
Share issue costs		**-**	**(195)**	**-**	**-**	**(195)**
Space Connect acquisition deferred share issue consideration		**-**	**-**	**489**	**-**	**489**
Share based payment charge		**-**	**-**	**80**	**-**	**80**
Share based payment charged to subsidiaries		**-**	**-**	**33**	**-**	**33**
At 31 January 2020		**2,826**	**3,830**	**1,574**	**10,565**	**18,795**

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

Parent company statement of cash flows

	Note	2020	2019
		£'000	**£'000**
Cash flows from operating activities			
Cash generated from operations	5	**(1,664)**	(8,800)
Interest received		**10**	110
Interest paid		**(1)**	-
Net cash outflow from operating activities		**(1,655)**	(8,690)
Cash flows from investing activities			
Payment for the acquisition of subsidiary		**-**	(2,167)
Payment for property, plant and equipment		**(10)**	(19)
Proceeds from sale of property, plant and equipment		**-**	39
Proceeds from disposal of subsidiary		**750**	19,899
Net cash generated from investing activities		**740**	17,752
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)		**3,247**	-
Loan issued to subsidiary companies		**(8,916)**	-
Repayment of borrowings		**-**	(1,763)
Net finance costs		**-**	(106)
Net cash used in financing activities		**(5,669)**	(1,869)
Net (decrease) / increase in cash and cash equivalents		**(6,584)**	7,193
Cash and cash equivalents at start of year		**7,222**	29
Cash and cash equivalents at end of year		**638**	7,222

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

Notes to the parent company financial statements

1. Financial assets and financial liabilities

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

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

The Company holds the following financial instruments:

Financial assets	2020	2019
	£'000	**£'000**
Financial assets at amortised cost:		
Financial assets at amortised cost	**12,290**	11,171
Cash and cash equivalents	**638**	7,222
	12,928	18,393

Financial liabilities	2020	2019
	£'000	**£'000**
Financial liabilities at amortised cost:		
Trade and other payables	**163**	390
	163	390

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

1(a) Financial assets at amortised cost

Classifications of financial assets at amortised cost

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

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

Financial assets at amortised cost include the following debt investments:

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loan to subsidiary	**-**	**6,060**	**6,060**	-	3,840	3,840
Intercompany balances	**-**	**6,091**	**6,091**	-	6,323	6,323
Other financial assets at amortised cost	**85**	**-**	**85**	1,008	-	1,008
Other receivables	**54**	**-**	**54**	-	-	-
	139	**12,151**	**12,290**	1,008	10,163	11,171

Loans to subsidiary

In 2019 the Company issued a loan to its subsidiary SmartSpace Software Limited Pty. The loan is unsecured and repayable at 90 days' notice. Interest accrues daily at a rate of 5% per annum. The fair value of the loan is the amortised cost.

In 2018 the Company issued a loan to its subsidiary SmartSpace Software Limited. The loan is unsecured, interest free and repayable at 90 days' notice. The fair value of the loan to subsidy is the amortised cost.

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

Intercompany balances

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

Impairment and risk exposure

At 31 January 2020 the Company had an intercompany balance due from Smartspace Global Limited of £12.3m. An impairment charge of £8,028,000 has been recorded in relation to losses expected to arise as part of the disposal of this subsidiary in the financial year ending 31 January 2021. Note 7 sets out further information about the impairment of financial assets and the Company's exposure to credit risk.

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

Other financial assets at amortised cost

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

1(b) Trade and other payables

	2020	2019
	£'000	**£'000**
Current liabilities		
Trade payables	**53**	16
Payroll taxes and other statutory liabilities	**38**	28
Accrued expenses	**71**	341
Other payables	**1**	5
	163	390

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

2. Non-financial assets and liabilities

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

2(a) Property, plant and equipment

	Office equipment
	£'000
At 1 February 2018	
Cost or fair value	56
Accumulated depreciation	(11)
Net book amount	45
Year ending 31 January 2019	
Opening net book amount	45
Additions	19
Disposals	(39)
Depreciation charge	(9)
Closing net book amount	16
At 31 January 2019	
Cost or fair value	23
Accumulated depreciation	(7)
Net book amount	16
Year ending 31 January 2020	
Opening net book amount	**16**
Additions	**10**
Disposals	**-**
Depreciation charge	**(10)**
Closing net book amount	**16**
At 31 January 2020	
Cost or fair value	**33**
Accumulated depreciation	**(17)**
Net book amount	**16**

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

- Office equipment 3-4 years

2(b) Investment in subsidiaries

	2020	2019
	£'000	**£'000**
Shares in group undertakings		
Balance at 1 February	**4,894**	14,375
Additions in year – investment in Smartspace Software Limited	**-**	2,167
Disposals in year – disposal of Redstone Converged Solutions Limited	**-**	(9,248)
Disposals in year – disposal of Commensus Limited	**-**	(2,400)
Balance at 31 January	**4,894**	4,894

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid. Included in the investment balance at 31 January 2020 is an amount of £1,328,000 relating to Smartspace Global Limited which was disposed of after the period end (see note 12 below).

2(c) Provisions

The Company had provisions as follows:

	Dilapidations
	£'000
Balance at 1 February 2019	5
Provisions reversed during the year	(5)
Balance at 31 January 2020	-
Current	-
Non-current	-
Balance at 31 January 2020	-

3. Deferred tax

3(a) Deferred tax assets

	2020	2019
	£'000	**£'000**
The balance comprises temporary differences attributable to:		
Tax losses	**1,022**	764
Employee benefits	**45**	24
Deferred tax assets	**1,067**	788

The Company has concluded that deferred tax assets relating to carried forward tax losses will be recoverable against future earnings through the use of UK corporation tax group relief provisions.

Movements	Share based payments	Tax losses	Total
	£'000	**£'000**	**£'000**
At 31 January 2018	-	-	-
Charged to profit and loss	24	764	788
At 31 January 2019	**24**	**764**	**788**
Charged to profit and loss	**21**	**258**	**279**
At 31 January 2020	**45**	**1,022**	**1,067**

4. Equity

4(a) Share capital and share premium

	2020	2019	2020	2019
	Number	**Number**	**£'000**	**£'000**
Allotted, called up and fully paid:				
Ordinary shares of 10p each	**28,255,823**	22,157,413	**2,826**	2,216

Movement in ordinary shares

	Shares issued		Share capital	Share premium	Merger Reserve	Total
	Number	**Price (p)**	**£'000**	**£'000**	**£'000**	
At 31 January 2018	20,784,795		2,078	-	-	2,078
Shares issued for acquisition	1,372,618	87.1	138	1,058	-	1,196
At 31 January 2019	22,157,413		2,216	1,058	-	3,274
Shares issued for acquisition	**4,747,587**	**72.5**	**475**	**2,772**	**-**	**3,247**
Shares issued for cash	**1,350,823**	**72.5**	**135**	**-**	**844**	**979**
At 31 January 2020	**28,255,823**		**2,826**	**3,830**	**844**	**7,500**

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

4(b) Other reserves

	Acquisition deferred consideration reserve	Merger reserve reserve	Share option reserves	Total other reserves
	£'000	**£'000**	**£'000**	**£'000**
At 31 January 2018	-	-	433	433
Transactions with owners in their capacity as owners:				
Share-based payment expense	-	-	5	5
Lapsed share options	-	-	(310)	(310)
At 31 January 2019	-	-	128	128
Transactions with owners in their capacity as owners:				
Shares issued for acquisition	**-**	**844**	**-**	**844**
Space Connect acquisition deferred share issue consideration	**489**	**-**	**-**	**489**
Share-based payment expense	**-**	**-**	**80**	**80**
Share-based payment charged to subsidiaries	**-**	**-**	**33**	**33**
At 31 January 2020	**489**	**844**	**241**	**1,574**

Nature and purpose of other reserves

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

The share-based payments reserve is used to recognise:

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

4(c) Retained earnings

The movements in retained earnings were as follows:

	2020	2019
	£'000	**£'000**
Balance at 1 February	**20,333**	10,111
Net (loss) / profit for the period	**(9,768)**	9,912
Lapse of share options	**-**	310
Balance at 31 January	**10,565**	20,333

5. Cash flow information

5(a) Cash generated from operations

	2020	2019
	£'000	**£'000**
Profit before income tax	**(10,024)**	9,158
Adjustments for:		
Depreciation	**10**	9
Non-cash employee benefit expense – share-based payments	**80**	(28)
Credit loss	**196**	-
Impairment of intercompany balance	**8,028**	-
Gain on disposal of subsidiary	**-**	(10,626)
Gain on remeasurement of contingent consideration	**-**	(50)
Net exchange differences	**408**	-
Finance costs - net	**(38)**	(4)
Change in operating assets and liabilities:		
Movement in financial assets at amortised cost	**(77)**	(7,281)
Movement in other operating assets	**(14)**	53
Movement in trade payables	**43**	19
Movement in other operating liabilities	**(271)**	-
Movement in provisions	**(5)**	(50)
Cash used in operations	**(1,664)**	(8,800)

5(b) Net debt reconciliation

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

	2020	2019
	£'000	**£'000**
Cash and cash equivalents	**638**	7,222
Borrowings repayable within one year	**-**	-
Borrowings repayable after one year	**-**	-
Net cash	**638**	7,222
Cash and cash equivalents	**638**	7,222
Gross debt – fixed interest rates	**-**	-
Net cash	**638**	7,222

	Cash/bank overdraft	Borrowings due within one year	Borrowings due after one year	Total
	£'000	**£'000**	**£'000**	**£'000**
At 31 January 2018	29	(588)	(1,175)	(1,734)
Cash flows	7,193	588	1,175	8,956
At 31 January 2019	7,222	-	-	7,222
Cash flows	**(6,584)**	**-**	**-**	**(6,584)**
At 31 January 2020	**638**	**-**	**-**	**638**

6. Employee information

6(a) Employee benefits expense

	2020	2019
	£'000	**£'000**
Wages and salaries	**634**	816
Share based payments	**80**	(66)
Social security costs	**103**	72
Pension costs	**19**	20
Total remuneration	**836**	842

6(b) Average number of people employed

	2020	2019
	£'000	**£'000**
Administration	**6**	7
Total employees	**6**	7

7. Financial risk management

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

7(a) Credit risk

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

Risk management

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

Impairment of loan to subsidiary

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

Balances due from related companies

The Company provides funding to its subsidiaries through short term intercompany receivables. The loans are unsecured and interest free. Management consider 'low credit risk' to be when they have a low risk of default and the subsidiary has a strong capacity to meet its contractual cash flow obligations in the near term. As set out in note 1(a) above, an impairment of £8,028,000 was made in respect of the intercompany balance due from SmartSpace Global Limited in connection with its disposal after the year end. All other intercompany receivables are considered to be low risk.

7(b) Liquidity risk

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

Maturity of financial liabilities

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

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

Contractual maturity of financial liabilities At 31 January 2020	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	**124**	**-**	**-**	**-**	**-**	**124**	**124**
Borrowings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**124**	**-**	**-**	**-**	**-**	**124**	**124**

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

8. Capital management

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

9. Related party transactions

9(a) Transactions with related parties

The following transactions occurred with related parties:

	2020	2019
	£'000	**£'000**
Sales and purchases of services		
Provision of services to subsidiary undertakings	**145**	652
Purchase of services from subsidiary undertakings	**-**	51
Other transactions		
Subscription for new ordinary shares	**4,421**	1,196

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

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

	2020	2019
	£'000	**£'000**
Receivables		
Subsidiary undertakings	**6,091**	6,323
Current liabilities		
Subsidiary undertakings	**-**	-

9(c) Loans to subsidiary undertaking

	2020			2019
	Smartspace Software Pty	Smartspace Software Ltd	Total	Smartspace Software Ltd
	£'000	**£'000**	**£'000**	**£'000**
Loan to subsidiaries				
At 1 February	-	3,840	3,840	-
Cash advanced	**2,589**	**-**	**2,589**	2,586
Subscription for shares		**-**	**-**	1,196
Interest charged	**29**	**-**	**29**	58
Impact of foreign currency exchange rate movement	**(134)**	**(264)**	**(398)**	-
At 31 January	**2,484**	**3,576**	**6,060**	3,840

No loss allowance was recognised in expense.

9(d) Terms and conditions

The loan to SmartSpace Software Pty Limited is unsecured and repayable at 90 days' notice. Interest accrues at a rate of 5% per annum.

The loan to SmartSpace Software Limited is unsecured and repayable at 90 days' notice and is interest free.

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

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

Note 17 - Interest in other entities

Note 19 - Events occurring after the end of the reporting period

Note 20(b) - Related party transactions: Key management personnel

Note 20(c) - Related party transactions: Directors

Note 21 - Share based payments

Note 24 - Auditors' remuneration

11. Summary of significant accounting policies

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

11(a) Basis of preparation

Compliance with IFRS

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

Historical cost convention

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

New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 February 2019:

- IFRS 16, 'Leases';
- Annual improvements 2015-2017 cycle;

The Company has changed its accounting policies following the adoption of IFRS 16. This is disclosed in note 12. None of the other amendments had an impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year end 31 January 2020 and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Going concern

The ability of the Parent Company to continue as a going concern is contingent upon the ongoing viability of the Group. The financial statements for the Group and the Parent Company are prepared on a going concern basis notwithstanding that the Group has reported an operating loss of £2,365,000 for the year to 31 January 2020 (2019: £2,039,000 loss), net cash outflow from continuing operating activities of £1,905,000 (2019: £3,541,000).

Immediately following the disposal of the Smartspace Global business in August 2020 the Group had £5.9m of gross cash, three operating segments and a central overhead to support. Cash forecasts for each segment and the consolidated group have been prepared for a period of eighteen months from the date of signing the balance sheet.

These forecasts take into account the Group's assessment of the likely impacts of the COVID-19 pandemic together known levels of governmental support. Furthermore the forecasts have been stress tested to take into account varying degrees of reductions in customer purchases and subscriptions, delays in product launches and new sales wins, and extended customer payment days.

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

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

11(b) Investment in subsidiaries

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

11(c) Functional and presentation currency

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

11(d) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the UK. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It established provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

11(e) Cash and cash equivalents

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

11(f) Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

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

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

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

Measurement

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

Impairment

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

11(g) Property, plant and equipment

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

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

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

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

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

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

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

11(h) Trade and other payables

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

11(i) Borrowings

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

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

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

11(j) Borrowing costs

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

11(k) Employment benefits

Short- term obligations

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

Post- employment obligations

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

Share-based payments

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

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

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

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

11(l) Contributed equity

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

11(m) Dividends

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

11(n) Rounding of amounts

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

12. Events occurring after the end of the reporting period

On 13 August 2020 the Company completed the disposal of its investment in Smartspace Global Limited for cash consideration of £4.6m and deferred consideration of £0.4m. The Company had invested £1.3m in the acquisition of Smartspace Global and made loans amounting to £11.7m therefore the loss on disposal of this investment amounted to £8.0m. This £8.0m loss is reflected in the impairment of intercompany receivables at 31 January 2020.

13. Change in accounting policies

This note explains the impact of the adoption of IFRS 16 on the Company's financial statements.

The Company has adopted IFRS 16 Leases retrospectively from 1 February 2019, but has not restated comparatives for the prior reporting period, as permitted under the specific transition provisions in the standard. No reclassifications or adjustments arising from the new leasing rules are required to the opening balance sheet on 1 February 2019 as the only leases which the Company was party to were leases which would are classified as short term or low value. The new accounting policies are disclosed in note 9b of the consolidated financial statements.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation "4 Determining whether an Arrangement contains a Lease".

	2020
	£'000
Operating lease commitments disclosed as at 31 January 2019	-
Less short-term leases not recognised as a liability	-
Lease liability recognised as at 1 February 2019	-

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