6 October 2020

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

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

AUDITED FINAL RESULTS ANNOUNCEMENT
For the year ended 31 January 2020

"A year of successful transition"

SmartSpace Software plc (AIM: SMRT), the leading provider of 'Integrated Space Management Software' for smart buildings, commercial spaces and hospitality, announces its audited final results for the year ended 31 January 2020.

Note: The Enterprise software division is treated as a discontinued business in the accounts as the decision to sell the business was taken prior to 31 January 2020

- Revenue from continuing operations of £5.1 million (FY19: £2.9million)
- Adjusted LBITDA* (£1.67 million) (FY19: £1.75 million)
- Total gross profit of £2.1 million (FY19: £1.1 million)
- Administration expenses of £4.3 million (FY19: £3.2 million)
- Cash and cash equivalents at 31 January 2020 £2.6 million (FY19: £8.0 million)

Operational Highlights: Includes post review period

Transition of software business to a pure SaaS business

- In line with the Board's strategy of focusing the software business on a SaaS model, 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 of R&D tax credits from HMRC.
- Significant progress made in developing the SaaS business, both organically and through acquisition with SwipedOn, (acquired in October 2018) growing its annual recurring revenues by 93% during the year to NZ$3.6m:
    - At 31 January 2020 SwipedOn had 3,896 customers operating out of 5,280 locations (Jan. 2019: 2,713 customers in 3,590 locations).
    - SwipedOn continues to sell its products through digital marketing campaigns focussed primarily on English speaking markets including the US, Canada, UK, Australia and New Zealand.
    - During FY20 the product roadmap focussed on add-on modules and location-based settings. Software development changed with Covid-19 specific functionality developed including contactless sign-in and pre-screening questionnaires. This created increased opportunities for SwipedOn as countries reopened for business.
- In November 2019 the Group acquired Space Connect for a total consideration of AUD $6.0 million (approximately £3.2 million):
    - 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.
    - A number of distribution agreements already signed 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.
- Anders & Kern, our specialist distributor and integrator of AV solutions has recently signed distribution and resale agreements focusing on workplace optimisation solutions. A+K's established network of 200 resellers is strategic to the development of the market for Space Connect in the UK.

Software development

- Investment of £0.77 million during the year in further enhancing the software solutions of continuing businesses. This has included development of new add-on modules for SwipedOn including Deliveries, Catering and SMS

Following the sale of the Enterprise software division, the purpose of the Group is to fulfil the needs for SME businesses and 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.

On outlook, Frank Beechinor, CEO of SmartSpace commented:

"Whilst the coronavirus pandemic can make any assessment of the future uncertain and whilst it will inevitably continue to pose challenges for the Company's operations and those of our clients, the Board believes that it will also create opportunities. We believe that the Company's product offerings will form part of the solution to help our customers deal with the impact of the virus on their work environment. Both our software businesses have already developed and launched new functionality to address the new 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.

New sales channels for Space Connect are expected to contribute towards revenue in the next financial year. 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. Following on from partnering with Softcat, 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 multi-location 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.

With the successful sale of the Enterprise business and 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 globally and now enters into a new period of sustained and secure growth. 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. A+K's established network of 200 resellers is also strategic to the development of the market for Space Connect in the UK.

In closing I would like to take this opportunity of thanking our loyal and hardworking employees, our strategic partners and longstanding shareholders for their continued support during these extremely challenging times."

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

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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 especially 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 January 2020	31 January 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
Lifetime value to customer acquisition cost (LTV:CAC)	**7.6**	6.4

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.

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 £'000	2019 £'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 below.

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 £'000	2020 % GP	2019 £'000	2019 % 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 £'000	2019 £'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).

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.

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.

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

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		**(199)**	(255)
Depreciation		**(79)**	(50)
Amortisation		**(122)**	(43)
Impairment of financial asset		**(205)**	-
Share based payment charge		**(88)**	59
Operating loss		**(2,365)**	(2,039)
Finance income		**11**	51
Finance costs		**(23)**	(121)
Loss before tax		**(2,377)**	(2,109)
Taxation		**468**	1,087
Loss for the year after tax		**(1,909)**	(1,022)
(Loss) / profit for the year from discontinued operations		**(7,973)**	423
Loss for the year		**(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	8	**(8.05p)**	(4.82p)
Discontinued operations	8	**(33.65p)**	2.00p
Total	8	**(41.70p)**	(2.83p)
Diluted loss per share			
Continuing operations	8	**(8.05p)**	(4.82p)
Discontinued operations	8	**(33.65p)**	2.00p
Total	8	**(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.*

Consolidated balance sheet

	Note	2020	2019
		£'000	**£'000**
ASSETS			
Non-current assets			
Property, plant and equipment		**693**	787
Right-of-use assets		**164**	-
Intangible assets		**10,508**	11,252
Deferred tax assets		**848**	733
Contract assets		**-**	1,560
Total non-current assets		**12,213**	14,332
Current assets			
Inventories		**345**	364
Contract assets		**31**	698
Trade and other receivables		**475**	2,023
Other financial assets at amortised cost		**116**	1,112
Current tax receivable		**33**	445
Prepayments		**67**	109
Cash and cash equivalents		**2,587**	8,053
		3,654	12,804
Assets classified as held for sale	7	**6,480**	-
Total current assets		**10,134**	12,804
Total assets		**22,347**	27,136
LIABILITIES			
Non-current liabilities			
Borrowings		**-**	402
Lease liabilities		**133**	-
Long term provisions		**-**	5
Total non-current liabilities		**133**	407
Current liabilities			
Trade and other payables		**1,233**	2,541
Contract liabilities		**641**	754
Borrowings		**401**	24
Lease liabilities		**46**	-
		2,321	3,319
Liabilities directly associated with assets classified as held for sale	7	**2,113**	-
Total current liabilities		**4,434**	3,319
Total liabilities		**4,567**	3,726
NET ASSETS		**17,780**	23,410
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital		**2,826**	2,216
Share premium		**3,830**	1,058
Share option reserve		**(2,832)**	(3,702)
Retained earnings		**13,956**	23,838
Total equity		**17,780**	23,410

Consolidated statement of changes in equity

	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	-	-	(310)	310	-
Share-based payment expense - continuing operations	-	-	(59)	-	(59)
Share-based payment expense - discontinued operations	-	-	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 loss 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	**135**	**-**	**844**	**-**	**979**
Issue of ordinary shares for cash consideration	**475**	**2,967**	**-**	**-**	**3,442**
Share issue costs	**-**	**(195)**	**-**	**-**	**(195)**
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	**2,826**	**3,830**	**(2,832)**	**13,956**	**17,780**

Consolidated statement of cash flows

	Note	2020	2019
		£'000	**£'000**
Cash from operating activities			
Cash generated from operations	5	**(5,899)**	(3,469)
Interest received		**61**	51
Interest paid		**(76)**	(123)
Income taxes refunded		**138**	-
Net cash outflow from operating activities		**(5,777)**	(3,541)
Cash flows from investing activities			
Payments for the acquisition of subsidiary (net of cash acquired)		**(1,589)**	(3,965)
Payments for property, plant and equipment		**(280)**	(245)
Payment of software development costs		**(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		**(24)**	(1,800)
Principal elements of lease payments		**(85)**	-
Net cashflow from financing activities		**3,138**	(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		**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.

Notes to the financial statements

1. General information

SmartSpace Software plc is a company incorporated in England and Wales under the Companies Act 2006 and listed on the AIM market. The nature of the Group's operations and its principal activities are set out in the strategic report.

The announcement set out above does not constitute the Group's statutory financial statements for the years ended 31 January 2020 or 2019 within the meaning of section 434 of the Companies Act 2006 but is derived from those audited financial statements. The auditor's report on the consolidated financial statements for the year ended 31 January 2020 and 2019 is unqualified and does not contain statements under s498(2) or (3) of the Companies Act 2006.

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

Going concern

The 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 producers most recent 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 occurs 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 Governments 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.

2. Accounting standards adopted in the year

Following the introduction of IFRS 16 Leases the group has changed its accounting policy for leases where the group is the lessee.

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. Payments made under operating leases (net of any 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.

3. Segmental reporting

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 7. 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)/profit	**-**	(286)	(28)	(1,725)	(2,039)
Net finance cost	**-**	-	(16)	(54)	(70)
Loss before tax	**-**	(286)	(44)	(1,779)	(2,109)

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 7.

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.

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 7.

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

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 customers 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 7.

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

3(b) Accounting policies

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

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

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

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

- Distinct – to be accounted for as separate performance obligations; or
- not distinct – to be combined with other goods or services until a bundle is created that is distinct; or

- part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

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

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

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

The Group disaggregates revenue from contracts with customers by 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. 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)**	-
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)

6. Business combinations

6(a) Summary of acquisition

On 1 November 2019 the Group acquired 100% of the issued share capital of Space Connect 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 Space Connect 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
-

7. Discontinued operations

7(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, 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.

7(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)
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)
Profit before tax	**(8,428)**	(2,104)	(905)	(3,009)
Income tax expense	**455**	643	(156)	487
Profit after income tax of discontinued operations	**(7,973)**	(1,461)	(1,061)	(2,522)
Gain on disposal of subsidiary after income tax (see note 7)	**-**	-	2,945	2,945
Net 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	15,684

7(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 impairment recorded against intangible assets within the disposal group amounts to £2,669,000. The liabilities above do not include intercompany liabilities of £12.3 which are cancelled on consolidation.

8. Earnings per share

8(a) Basic loss per share

	2020	2019
	Pence	**Pence**
Attributable to the ordinary equity holders of the Company:		
From continuing operations	**(8.05p)**	(4.82p)
From discontinued operations	**(33.65p)**	2.00p
Total basic loss per share	**(41.70p)**	(2.82p)

8(b) Diluted loss per share

	2020	2019
	Pence	**Pence**
Attributable to the ordinary equity holders of the Company:		
From continuing operations	**(8.05p)**	(4.82p)
From discontinued operations	**(33.65p)**	2.00p
Total diluted loss per share	**(41.70p)**	(2.82p)

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

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

	2020	2019
	£'000	**£'000**
Basic (loss) earnings per share		
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		
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)

8(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

8(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.

8(f) Alternative measure of (loss)/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)

9. 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.

10. Annual General Meeting

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