23 May 2017

1Spatial plc (AIM: SPA)

(**"1Spatial",** the **"Company"** or the **"Group"**)

Final results for the year ended 31 January 2017

The Board of directors of 1Spatial (the "Board"), the global spatial software and solutions company which manages the world's largest spatial data is pleased to announce the Company and consolidated group's (the "Group") audited final results for the year ended 31 January 2017.

Highlights

Financial highlights

Continuing operations

- Revenues from continuing operations of £22.1m (2016: £18.3m), reflecting a full year's inclusion of Enables IT UK acquired in July 2015 and 1Spatial Inc., control of which was acquired in February 2016
- Recurring revenues of 40% (2016: 41%) providing visibility of earnings
- Gross profit margin of 44% (2016: 58%)
- Decrease in adjusted* EBITDA on prior year, down £3.3m to £0.4m loss (2016: £2.9m profit)
- Increase of £14.8m in operating loss, from £0.7m to £15.5m
- Trading update on 20 December 2016 to revise outlook

Discontinued operations

- Loss from discontinued operations of £3.5m (2016: £0.6m profit)

All operations

- Loss after tax of £18.3m (2016: £12k profit)
- Impairments of continuing operations totalling £9.4m: £5.1m of goodwill, £1.5m of acquired intangibles (customer lists and software) and £2.8m of capitalised development costs
- Impairments of discontinued operations totalling £1.8m: £0.9m of goodwill and £0.9m of capitalised development costs
- Net funds of £0.6m (2016: £5.0m)
- Overdraft facility of £3m renewed in May 2017
- Raised £0.9m in the year to pay the second tranche of capital for 1Spatial Inc. (previously LSI)

**Adjusted for strategic, integration, other one-off items and share-based payment charge*

Operational highlights

- Significant Board changes during the year including the following:
  - Andy Roberts appointed Chairman in September 2016, becoming Executive Chairman from 30 December 2016
  - Claire Milverton (CFO) appointed Acting CEO from 30 December 2016
  - Nicole Payne appointed FD in March 2017
  - Marcus Hanke no longer CEO from 30 December 2016
  - Marcus Yeoman (Non-Executive Director) resigned and Mike Sanderson (Executive Director) retired in January 2017

- Disposal and closure of loss-making businesses
  - Sale of Avisen UK Limited in December 2016 for £0.1m receivable in December 2017
  - Closure of Storage Fusion Limited in December 2016

- Investment in US business with key hires in sales, including Sheila Steffenson, who was made President of the US business subsequent to the year end, and pre-sales. Sheila has significant experience in the US Geospatial market and working with our key customers and partners such as US Census Bureau and ESRI.

- Global launch of the Group's "1Integrate for ArcGIS" product, which runs on the ESRI platform.

- Further delivery on the US Census Bureau contract providing core infrastructure spatial technology enabling the Census team to lay the foundations for the 2020 decennial census.

- 1Spatial's unique 1Integrate product was patented in the US in January 2017.

Post period-end

- Disposal of significant share of loss-making business Enables IT Inc. in March 2017 for £0.1m receivable in March 2019.

- Renewal of £3m banking overdraft facility with Natwest Bank plc which should provide a sufficient working capital for the business for the foreseeable future.

- In April 2017, the Group exercised its final option to acquire the remaining 27% of 1Spatial Inc. for US$0.9m (£0.7m) through the issue of shares taking its ownership to 100%. This acquisition positions the business to focus on the US market which is a growth market for 1Spatial working alongside key customers and partners such as US Census and ESRI.

- In April 2017 1Spatial acquired the 51% of Sitemap Ltd that it did not already own for £0.2m through the issue of shares.

Commenting on the results Executive Chairman Andy Roberts, said:

"1Spatial is well-positioned in a very viable and interesting part of the market and has developed a unique patented technology that we now need to fully extend and exploit. We have a strong management team, which combined with our in-depth subject matter expertise and technology-led solutions and services, gives the business the opportunity to develop into a significant force in the market.

Early trading in Q1 2018 has been strong, and our workforce is fully informed, motivated and energised. This financial year is focused on establishing a sound growth platform for the future, in order to fully maximise the opportunity presented by our technology and leverage the key partnerships that we are now fully engaged with.

I am confident that we are now well placed to grow a substantial, profitable and cash-generative business out into the future."

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About 1Spatial

1Spatial plc is a group of market leading software and solutions companies trading under the brands 1Spatial and Enables IT.

1Spatial

1Spatial manages the world's largest spatial big data and works with users and creators of the largest geospatial databases, helping them collect, store, manage and interpret location-specific information. 1Spatial's clients include national mapping and cadastral agencies, utility and telecommunications companies, and government departments including emergency services, defence and census bureaus.

A leader in the field, 1Spatial has over forty years' experience and a record of continual innovation and development. Today, with an ever increasing reliance on spatial and location-critical data, demand for our expertise has never been greater.

1Spatial operates globally, and has a portfolio of customers both in the Commercial and Government sector, with headquarters in Cambridge, UK and offices in the US, France, Belgium, Ireland and Australia.

Enables IT

Enables IT provides IT Managed Services. It offers public, private and hybrid cloud offerings with everything from Backup-as-a-service through to managed desktops. Their end-to-end IT capability provides everything from consultancy and project management, to the installation of physical infrastructure.

Clients trust Enables IT to manage their systems and secure their data. From Healthcare to Education and from Financial Services to Legal, leading organisations rely on Enables IT to ensure their IT is an asset, not a liability.

To find our more, visit www.1spatial.com

Executive Chairman's report

I am pleased to present my first report for 1Spatial plc, for the year ended 31 January 2017, since being appointed to the Board as Non-Executive Chairman in September 2016, and Executive Chairman from the start of January 2017.

Performance

The financial year ended 31 January 2017 was a very difficult year for the business. The strategy and operational execution of the business was inconsistent and muddled. As a result, a slow-down in sales from the core business, combined with a lack of timely execution and poor teamwork, led to an operating loss for the year.

Results

The results for the year ended 31 January 2017 showed an adjusted EBITDA * loss of £0.4m which was in line with the trading update of 20 December 2016 and the Group closed the financial year within its banking facilities with net funds of £0.6m at 31 January 2017.

The actual results for the year from continuing operations were revenues of £22.1m (2016: £18.3m), adjusted EBITDA loss of £0.4m (2016: adjusted EBITDA profit of £2.9m), an operating loss of £15.5m (2016: £0.7m), a loss from discontinued operations £3.5m (2016: profit of £0.6m) and a loss for the year of £18.3m (2016: £12k). The Group ended the year with £4.4m less cash than at the start of the year.

Since January 2017, there has been a renewed focus on the business; a strategic review has led to the restructure of the Company making it leaner and commercially focussed.

The key objective for the year to 31 January 2018 is to ensure that we generate cash and profitable adjusted EBITDA, as well as follow through on key strategic initiatives which will drive revenue growth for both the year ending 31 January 2018 and future financial years.

The Board

There have been a number of Board changes during the last year.

On 31 August 2016 David Richards stepped down from the Board as Interim Non-Executive Chairman. I was appointed as Non-Executive Chairman on 20 September 2016.

On 30 December 2016 Claire Milverton assumed the role of Acting CEO, replacing Marcus Hanke.

On 11 January 2017 Marcus Yeoman (Non-Executive Director) left the business and on 31 January 2017, Mike Sanderson retired from the business.

I've been acting as Executive Chairman since 1 January 2017 and on 13 March 2017 Nicole Payne was appointed to the Board as Finance Director having previously been the Group Financial Accountant.

The current leaner board now consists of myself, Claire Milverton, Nicole Payne and Nick Habgood. We will look to strengthen the Board as and when necessary during the next financial year.

Corporate governance

Following the changes to the Board, Nick Habgood is now Chairman of the Remuneration Committee and I am acting as Chairman of the Audit Committee and Nomination Committee.

Progress since January 2017

Since January, following the strategic review of the business, the new management team have put in place a three-phase programme:
Phase 1: Board restructuring
Phase 2: Management and operating structure
Phase 3: Rapid, focussed change programme

By and large, phase 1 and phase 2 are now complete with senior management appointed, strategy defined, a new operating structure to drive profitable, cash-generative revenue growth, and a considerable improvement in morale as a result of the Group’s renewed focus. From a cost viewpoint we have sold loss-making businesses (£0.8m annualised run-rate saving), reduced costs (£2.5m on an annualised basis), taken exceptional non-recurring costs out (£1.3m cash cost in FY2017), in order to improve our run-rate and reduce cash burn.

Through this process our bank has been very supportive, and has recently renewed our overdraft facility of £3m.

Looking forward

1Spatial is well-positioned in a very viable and interesting part of the market and has developed a unique patented technology that we now need to fully extend and exploit. We have a strong management team, which combined with our in-depth subject matter expertise and technology-led solutions and services, gives the business the opportunity to develop into a significant force in the market.

Early trading in Q1 2018 has been strong, and our workforce is fully informed, motivated and energised. This financial year is focused on establishing a sound growth platform for the future, in order to fully maximise the opportunity presented by our technology and leverage the key partnerships that we are now fully engaged with.

I am confident that we are now well placed to grow a substantial, profitable and cash-generative business out into the future.

1Spatial people are approachable, smart, innovative and agile. As we look forward to future growth, I would like to take this opportunity to welcome those who have joined 1Spatial plc during the year and to thank everyone for their continuing hard work and dedication.

**Adjusted for strategic, integration, other one-off items and share-based payment charge*

Andy Roberts
Executive Chairman

Strategic report

CEO review

Overview of Group and key objectives

The year ended 31 January 2017 was a challenging year. The financial performance of the business did not meet expectations set out at the start of the year and a trading update was issued to the market on 20 December 2016.

Following the Board changes at the end of 2016 and in January 2017 the Company has undertaken a full strategic review to develop a clear focus for the Group going forwards. Following this review, I firmly believe that we have two great underlying businesses which can provide shareholder value over the long term being the Geospatial business of 1Spatial and the bespoke network managed service business of Enables IT.

Elements of our previous investment proposition remain the same however under my leadership there will be a key focus on our core businesses, to maximise profitability by achieving revenue growth and managing costs through operational excellence.

Following the strategic review the key objectives set for the Group are summarised below:

Focus on the two core businesses of Geospatial (1Spatial) and Cloud (Enables IT – network managed services)

During the year we reviewed the business, assessing the strengths of each component part, the market opportunity and our positioning. Given that assessment we took affirmative action, this included the disposal of Avisen UK Ltd and closure of Storage Fusion Ltd and subsequent to the year end we sold Enables IT Inc. (based in the US). There are now two distinct core business units left in the company which have clear management structures and business objectives in place. There is now laser focus within these two business units to operate efficiently and increase revenues.

Clear strategy and go to market plan

It's clear that the success of 1Spatial to the external market, our investors, our partners, and our employees needs a clear, consistent and focused strategy that runs through the business and channels. Previously the strategy didn't always align to needs of the market and channels to market. We have taken steps to re-address this and build upon key focus areas that have shown growth in key sectors such as utilities. Our strategy moving forward across the Group is to be a solutions provider, delivering our clients the best solution to address their organisation needs – where appropriate, using our unique patented software to solve complex geospatial data issues. I've set out the detailed strategic statements for each business unit, later in my report.

Organisational structure align to strategy

Given the revised strategy, it is key that the appropriate organisation structure is in place to support this. The Board and the Company has now been restructured to align to this. There are clear reporting structures in each business unit which provides accountability and ensures incentives are only paid on success. This restructuring has also had a positive effect on annual run rate costs of £2.5m.

Drive revenue growth

Understanding and delivering against the market needs and requirements

We have limited resources and therefore it is imperative that we have a full understanding of the market needs so we make the right investment decisions from both a go-to-market perspective as well as a software development perspective. In the prior and previous years, there has been significant spend on development cost without having a full understanding of the potential market returns.

Going forward there will be an executive review process for all development spend which will be measured against a return on investment model.

Maintain and increase revenues from existing customers - focus on customer satisfaction and grow share in existing client base

It's key that we maintain our support and maintenance revenues which equate to 40% of our January 2017 revenues for the year ended 31 January 2017. We are committed to ensuring the best service is given to our clients and it is key to our integrator strategy where we become the client's 'go to' advisor.

Our customer support has always been a key USP for us and we need to continue to maintain these high standards while offering greater levels of support – such as 24hr support for mission critical applications – while working in partnership with key strategic customers to help them achieve organisational goals through the use of technology. We are also undertaking key customer reviews to ensure our services align to their long-term strategy to increase stickiness in the account as well as drive incremental revenues.

Increase revenues from new customers/opportunities – Growing market share

In prior years, most revenues in the group have been driven through existing customers and there has often been a dominance of one or two larger customers. Whilst it is key that we maintain these customers we must look to de-risk this and increase revenues through new customer acquisition.

For longer term growth and stability this is something we have been working to address over the last couple of years. We are now seeing the benefit of our focus on the utility market a couple of years ago and expect that this opportunity will continue to grow. It is key that we continue to value and grow our major accounts that have been with us for many years. Under our new strategy we will be assessing new markets to go for against a return on investment and market fit – both vertically and geographically.

Partner engagement to support our strategy

Aligning to the goals of maintaining and growing our major account clients and widening our market share to new markets, it's become very clear we need a focused strategy for partnering. Many of our key partners are working in the same accounts as us and for the clients and us there is strength in some cases of us coming together to deliver the best offering. In the past we have had a very ad-hoc approach to partnering and limited focused effort. Within the geospatial business we have appointed a head of global partners who will work with the country managers to align partners to our strategy of being a spatial technology enabled solutions provider. To deliver the best solutions to meet the client's needs, having relationships with the relevant partners is key. Working with various types of partners will grow our addressable market and offerings. I will discuss the importance of partners and our key partner ESRI later in my report.

Have ambition and be innovative

We are an ambitious company and we truly believe we have some unique innovative software in our 1Integrate product which enables clients to cleanse, enhance and use complex and large Geospatial datasets. We will continue to explore opportunities where we can scale the business with our 1Integrate product. As we work more closely with partners and identify more 'use cases' for this technology through our integrator strategy we believe it will naturally open up more options.

Drive the company to being cash generative and trade within our banking facilities

The company needs to be self-sufficient to fund future growth – this means it needs to be cash generative. Given the restructure and the related cost savings and the focus on revenues we believe we can achieve this during the financial year to 31 January 2018. We've had our £3m overdraft facility renewed so we can use this to manage working capital requirements on an ongoing basis.

Our two core businesses; 1Spatial – Geospatial and Enables IT

Focus on 1Spatial - Geospatial (FY17 Revenues – £15.1m)

What is Geospatial data?

Geospatial data is data that relates to location. This data is most obviously of interest to government departments and national mapping agencies; however, geospatial data has been growing in importance across many sectors, including: utilities, telecoms, emergency services, supply-chain and retail.

Typically, Geospatial Information Systems ("GIS") vendors focus on the front-end of their systems – on the user interface and analytical abilities. Many offer relatively simple data validation tools, but their focus is not on data management – the collection, validation, correction, maintenance, extraction, publication and interpretation of geospatial data.

That is 1Spatial's speciality. It is our heritage, our profession and our opportunity.

What does the Geospatial business in 1Spatial do?

1Spatial is a spatial technology enabled solutions provider creating innovative solutions to meet clients' evolving needs.

Cleansing, enhancing, using and successfully extracting strategic value from spatial data is a key focus. 1Spatial's goal is to drive major improvements in clients' operational efficiencies, customer satisfaction and enable them to realise significant new business opportunities.

1Spatial's people, with extensive industry knowledge, work in close collaboration with global clients to achieve their goals across sectors including government, utilities, defence and transportation.

What is the size of the Geospatial market?

The Geospatial market is significant; a 2013 report by Oxera Consulting Ltd. on the economic impact of "geo services" estimated the total annual revenue generated by geospatial services was between US$150-US$270bn. and predicted to continue to grow at 11% CAGR during 2015 – 2020 (P&S Market Research http://www.prnewswire.com/news-release/global-geographic-information-system-gis-market-expected-to-grow-at-11-cagr-during-2015---2020-ps-market-research-567650721.html).

For many organisations, GIS is central to their ability to understand the geospatial component of their business. However, the success of this is wholly dependent on the quality of the underlying spatial data. The quality of spatial data is core to our business.

There are sector-specific drivers as well. The utilities sector is increasing its focus on asset management; a considerable challenge in a sector with widely dispersed assets (pipelines, sewers, cables, sub-stations etc.) and historic records that are often incomplete and of uncertain quality.

We also believe there is an opportunity in the non-spatial market for our 1Integrate product and will look to review these opportunities during the year.

1Spatial's approach

Our approach is to ensure that the client has the best geospatial solution to support its business needs and aspirations. We create these solutions through a number of different approaches:

- Our team – with 1000's of man years of deep industry expertise and insight into the geospatial sector, we work closely with our clients' teams to assess, identify and provide solutions.
- Our technology – unique software products and tools provide an automated approach to cleansing, enhancing and using spatial data which we deploy as part of client solutions
- Our partners – from our extensive network of long-term partners, we provide the overall solutions for our clients. Our partners include ESRI, Oracle, Safe Software, Latitude and HERE data.
- Our geographic reach – we have offices located in the UK, Ireland, USA, France, Belgium and Australia.

Our approach for FY18 and beyond

Following the restructuring and delayering process which has now been finalised, the Geospatial business unit is now in a good position to execute on the stated strategy above. Key actions that have taken place subsequent to the restructuring are as follows:

Our team

A new senior management team has been put in place. Each member has clear responsibility and accountability. Key roles include:

- Chief Technology Officer
- Country Managers/Country CEO's for each territory – UK/IRE, France/Belgium, USA and Australia
- Chief Marketing and Partner officer
- Heads for other key functions such as finance, HR and delivery

Our Technology

During the year we have continued to invest in the 1Spatial Management Suite (our end to end Spatial platform which includes the 1Integrate product) and our Elyx suite of products for utilities and cities in French speaking markets. The nature of 1Spatial's expertise means that our solutions are often found at the heart of complex installations, working alongside and inter-operating with the technology of other vendors. Making our technology 'Open' so that it can work with other vendors is key to our strategy for scalable revenue growth.

As an industry trend we are seeing GIS growing outside of specialist geospatial organisations and therefore there is increasing demand for different solutions to work together ever more seamlessly. Again this is a reason why we have committed ourselves to provide software solutions that are 'Open' and which work well with key vendors in the field.

1Spatial's unique 1Integrate product which was patented in the US in January 2017 is key to our growth strategy – the product enables client's with large amounts of data (often in different formats) to bring the datasets together and cleanse and enhance those datasets to create an accurate dataset on which key decisions can be made. Unique points of the 1Integrate is the ability for the software to deal with complex and large datasets as well as being able to update specific feature changes in the database. An example of this where this technology has been used is at Northumbrian Water and the State of Arizona (see customers section below).

As noted above, the investment in our technology will be more aligned to customers' needs during FY18 with some investment in discrete development projects. A key area that we will be reviewing during FY18 is the area of 3D.

Following our ongoing market review as noted above, we will also focus on developing our 1Integrate product so that it can integrate with other platforms and technology such as some of the vendors of hand held device technology. We will also be reviewing use cases for vertical alignment with our key sectors which include government, utilities, defence and transportation.

Our Partners

ESRI*
1Integrate for ArcGIS was launched in the UK and US in January 2016, and in July 2016 at the International ESRI User Group in San Diego we announced availability of 1Integrate for ArcGIS mobility capability. 1Integrate for ArcGIS is built on the ESRI platform, which has millions of users globally and ESRI are the market leader in GIS (Geographic Information System). Our 1Integrate for ArcGIS solution can ensure compliance of data across the enterprise. The solution provides automated data validation and management for the ArcGIS platform and is now available across the delivering offerings, ArcGIS server, ArcGIS desktop and ESRI mobile applications such as collector, and Survey123 for ArcGIS.

Sales for the year ended 31 January 2017 have been slow, we have spent the financial year targeting the market and growing awareness of the product and our partnership with ESRI. The focus has been on key markets such as the UK and the US, and we have attended key ESRI user conferences and carried out some joint marketing activity. We do however have some key customers using the product such as The State of Arizona in the US and Ordnance Survey Great Britain.

**ESRI is a privately held US company and has a 43% share of the GIS market and around 350,000 organisations use its core ArcGIS software. This strategically important product makes 1Spatial's unique technology available directly from within the ESRI user interface. 1Integrate for ArcGIS opens up ESRI's customer base to 1Spatial.*

HERE*
In January 2016, 1Spatial and HERE announced a strategic partnership. This was born out of a project at US Census where we partnered to provide automated integration and data quality to the HERE data sets which were enhancing the US Census data model. This project is still in place and we are working together. We have a number of other opportunities in the pipeline with HERE, allowing HERE to offer a more tailored version of their data sets through the use of 1Spatial technology in an automated and repeatable process. To date most of the opportunities have been in the US market but we are looking to expand this into European markets.

**HERE, previously known as Navteq, is a leader in the field of location intelligence, delivering precise and up-to-date maps and "location experiences" across multiple screens and operating systems. Drawing on more than 80,000 sources of data, HERE offers maps, voice guided navigation and live traffic information.*

Our reseller revenues

Our clients will often require another vendor's technology as part of providing the client with the right solution for them. We currently distribute two vendors' software; FME from Safe Software and Geo-cortex from Latitude Geographics. This represents 8% of our revenue in 2017 and we retain a 40% margin on these sales.

Our geographic reach

Key geographies are UK/Ireland, France/Belgium, the US and Australia. As noted above, each has a Country manager/CEO with profit and loss responsibility.

As per our stated strategy in previous years, a key growth geography is the US. We have a significant pipeline building in this geography however, the sales cycle time in this geography, particular in the Federal government, is long. We anticipate that some of these larger deals which we are engaged on will start to close during the year ending 31 January 2018.

Subsequent to the year-end we took 100% control of our US operation.

Our customers

As mentioned in this report, our customer strategy is focused on maintaining and growing a group of key large customers who have been with 1Spatial for many years, along with a focus on growing market share and client acquisition in selected vertical markets were we have expertise such as Utilities and Transportation.

With our focus on the Utility sector as an industry over the past couple of years we have seen good growth in this sector.
Below are key customer highlights for this financial year:

US Census Bureau - we continue to work with the US Census Bureau and they awarded us a further US$1.7m during the year which commenced delivery in September 2016.

AdV – The committee responsible for co-ordinating the surveying and mapping of Germany has been a customer of 1Spatial for many years and we recently worked with them on a major project. They had previously been working on a five-year production cycle for maps and this timeframe was no longer meeting the needs of the customers. 1Spatial worked with AdV to review the very complex requirements they had to get an automated solution that could run across states. Through innovation of the 1Spatial generalisation solution and ultimately automation there has been a 40% reduction in time to take the previous cycle from 5 years to 3 years.

Arizona Department of Transport (ADOT) – A new client for 1Spatial in the US, ADOT had been looking for ways to improve the way it responded to the demand for information from the Federal Highways Administration. Working with 1Spatial and through the use of the 1Integrate solution, ADOT have implemented an automated repeatable process to simplify and smooth the creation and maintenance of their state-wide road dataset. Automating the maintenance of the state-wide road network saves ADOT money, time and resources and makes the department more efficient. Importantly, this data can now been used to support innovation projects in the state.

Northumbrian Water – 1Spatial and Northumbrian Water innovative partnership to enhance response times for customers who experience problems with their sewer network in and around their properties. This was an outcome from when Northumbrian Water assumed responsibility for 13,500km of private drains and sewers under a government law change from property owners to water companies. However the problem Northumbrian Water faced was that only 5% of the network was mapped. Working in partnership with 1Spatial and using 1Spatial consultants and the 1Integrate solutions along with subject matter experts from Northumbrian, the mapping process was completed in 1/8 of the time originally planned and resulted in savings of £8.8m. This project has been short-listed for a number innovation awards in the IT and Utility sector.

Network Rail – 1Spatial were chosen to provide a web-based mapping and asset management solution for Network Rail. Network Rail are currently undertaking a five-year £330m transformation programme to improve its approaches to acquisition, storage and usage of asset information. As part of this project, 1Spatial has delivered a solution to visualise accurate, real time, asset information.

Focus on Enables IT – Network Managed Services (FY17 Revenues – £6.9m)

What does Enables IT do?

Enables IT is a technology enabled solutions provider which offers a tailored cloud, network and managed service solutions as well as a full suite of IT consultancy and project management solutions. Revenue leverage is through its bespoke end-to-end manged IT offering to SMEs.

Enables IT provides services mainly to the SME market but does have one very significant client in the healthcare sector and the business continue to be profitable and cash generative. With its own data centre, Enables IT offers public, private and hybrid cloud solutions with everything from Backup-as-a-Service through to managed desktops. Enables IT gives you on-demand access to best-in-class software, hardware and tools. It has an end-to-end IT capability that provides everything from consultancy and project management to the installation of physical infrastructure with a 24/7 service support desk.

Size of market

IT outsourcing and the provision of managed services in the UK is spread across a wide and fragmented market place. Services are provided by a range of businesses including telecommunications, network operators, generalist IT providers, technology enabled solutions providers and more focused managed service providers.

Evolving business models have resulted in products and services being provided in four main forms (hardware/devices, software, datacentres/infrastructure and IT services) to three main customer types, government, large enterprises and SMEs.

Analysis by Gartner predicts that UK IT spend is forecast to exceed £117billion in 2019 – an increase of 10% from £106 billion in 2015.

Team, geography and customers

Enables IT is led by Managing Director Mike Wallis. Mike founded Enables IT and has been with the business for over 25 years. He is supported by General Manager Elizabeth Godding who in turn manages a skilled workforce of 33 at the head office based in Leatherhead.

The majority of Enables IT's clients are based in the UK with sector expertise across healthcare, legal services and education.

Enables IT has long-term embedded customer relationships (5 years plus) generating 75% of its annual revenue.

Review of the Group for the year ended 31 January 2017

The last financial year to 31 January 2017 was very challenging and the revenues and adjusted EBITDA did not meet expectations. The impact of this was an adjusted EBITDA loss in the period as well as cash outflows. We updated the market on 20 December 2016 to disclose reduced estimations and expectations of a marginal adjusted EBITDA loss due to a number of factors including contract timings and the decision to transition the business model to one of annualised revenues.

Since then a number of Board changes have taken place and the business has been restructured. The Board believes the business is now on a stable platform and ready for growth.

Results

Overall, revenues increased on the prior year due to the inclusion of Enables IT for a full year, this was only for 6 months in the prior year. 1Spatial Inc.'s results have been included from February 2016 when the Group acquired control of the entity.

The Board focusses on adjusted EBITDA as a key KPI as it reflects the underlying performance of the business. It is also a measure used by its broker and the rest of the financial markets including other brokers and analysts.

A summary of the continuing operations compared to the prior year are set out below. The operations of Avisen UK, Storage Fusion and Enables IT Inc. are shown within discontinued operations.

As at 31 January 2017 the Group had a secured order book of £5.0m (excluding support and maintenance).

	2017				**2016**			
	Central costs £m	**Geospatial £m**	**Cloud £m**	**Total £m**	**Central costs £m**	**Geospatial £m**	**Cloud £m**	**Total £m**
Revenue	-	15.1	6.9	**22.0**	-	16.0	2.3	18.3
Cost of sales	-	(6.8)	(5.5)	**(12.3)**	-	(6.2)	(1.5)	(7.7)
Gross profit	**-**	**8.3**	**1.4**	**9.7**	**-**	**9.8**	**0.8**	**10.6**
Gross profit %		**55%**	**20%**	**44%**		**61%**	**35%**	**58%**
Admin expenses	(2.4)	(6.8)	(0.9)	**(10.1)**	(2.1)	(5.1)	(0.5)	**(7.7)**
Adjusted * EBITDA	**(2.4)**	**1.5**	**0.5**	**(0.4)**	**(2.1)**	**4.7**	**0.3**	**2.9**

Geospatial

GIS Solutions delivers 69% of the Group's revenue and represents the core strategic focus of the business; the provision of software and services for the management of geospatial data. The division is underpinned by a number of recurring revenue contracts from large customers with well-established relationships including a US$1.7m extension contract with the US Census Bureau.

The overall revenues were down by 5% but on a like-for-like basis when 1Spatial Inc. is included (t was included for 11 months in 2017 but not in 2016) the revenues are down by 20%.

The split of the £15.1m revenue is as follows:

	2017		2016	
	£m		£m	
Licences – own	0.6	4%	1.7	11%
Licences – third party	0.9	6%	1.0	6%
Services	6.6	43%	6.8	42%
Support and maintenance (S&M) - own	6.2	41%	5.8	36%
Support and maintenance (S&M) – third party	0.8	6%	0.7	5%
	15.1		**16.0**	

Key reasons for revenues being down on the prior year are the reduction in licences and services sold in the year, mainly due to a lack of focus and execution (as noted in my review above) coupled with long sales cycles and some changes to the business model in terms of annual licensing.

Support and maintenance revenues still remain strong – we have approximately 330 customers on support and maintenance.

The gross profit % was down on the prior year from 61% to 55% as a result of the change in the product mix (licences are higher margin).

Costs have increased during the year ended 31 January 2017 due to the addition of the US operations.

Overall, the adjusted EBITDA trading results for the Geospatial division were disappointing – driven by a lack of revenue and too much cost, which was addressed and reduced in January 2017.

Enables IT

Cloud Services (representing 31% of revenue) provides important capabilities including hosting for cloud services, managed services, network services, 24/7 support, storage management, project management expertise and business intelligence solutions. We have approximately 130 customers on recurring revenue streams (support and maintenance).

The 2016 revenues include only six months of Enables IT.

	2017		2016	
	£m		£m	
Services	1.3	19%	0.5	23%
Support and maintenance (S&M)	1.6	24%	0.9	39%
Products	4.0	57%	0.9	38%
	6.9		**2.3**	

The gross profit % was down on the prior year from 35% to 20% as a result of the change in the product mix.

Administrative expenses were broadly in line with the prior year but as a result of the lower gross margin, adjusted EBITDA on an annualised basis was slightly behind the prior financial period.

Central costs

Central costs were higher than the previous year due to increased travel costs and professional fees.

Overall result for the year

	2017 £m	2016 £m
Adjusted* EBITDA (loss)/profit	**(0.4)**	**2.9**
Depreciation	(0.5)	(0.4)
Amortisation and impairment of intangible assets	(11.4)	(1.1)
Share-based payment charge	(0.6)	(1.0)
Strategic, integration and other one-off items	(2.6)	(1.1)
Operating loss	**(15.5)**	**(0.7)**
Net finance cost	-	-
Share of associates' results	(0.3)	(0.4)
Loss before tax	**(15.8)**	**(1.1)**
Tax	1.0	0.5
Loss for the year – continuing operations	**(14.8)**	**(0.6)**
(Loss)/profit for the year – discontinued operations	**(3.5)**	**0.6**
Result for the year	**(18.3)**	**-**

* Adjusted EBITDA is stated net of certain strategic, integration, other one-off costs and share option charge. See note 3 to the Accounts for further information.

Amortisation and impairment of intangible assets

The most significant line item in the classifications below adjusted EBITDA is the amortisation and impairment of intangible assets. Given the loss-making adjusted EBITDA in the period and the significant cash outflow in the period from operations (including the R&D cost) it was prudent for the Board to undertake an impairment review on a realistic and prudent basis.

Given this review, the total impairment was £11.2m, £9.4m of which relates to continuing operations.

Share-based payment charge

The share option charge represents the 'non-cash' charge under IFRS 2 attributable to issuing share options this financial year. The decrease in this charge is due to the effect of leavers in the year.

Strategic, integration and other one-off items

	2017 £m	2016 £m
Costs associated with corporate transactions and other strategic costs	0.2	0.6
Integration costs associated with Enables IT and 1Spatial Inc. business	0.1	0.1
Loss-making contract release in Belgium	-	(0.2)
Defined benefit pension provision in France	-	0.5
Loss on sale of building in Belgium	-	0.3
System development costs	0.1	-
Restructuring and redundancy costs	0.9	0.1
Provision for amounts receivable from Sitemap Ltd	1.3	-
Release of liability for sales tax exposure	-	(0.4)
Other	-	0.1
Total	**2.6**	**1.1**

Given the recent acquisitive nature of the business, the Group incurs one-off costs which impact the overall underlying results of the business. Where possible the Group seeks to separate these out along with any other one-off items which the Board believe should be shown separately in this category.

A summary of key transactions within this category, are set out above with further details provided in note 3. The overall figure has increased compared to the prior year with the majority of the increase stemming from the £1.3m provision for amounts receivable from its associate company, Sitemap Ltd which were of a funding nature. The other significant increase is the cost of restructuring and redundancy, mainly due to Board of Director changes.

Tax

The tax credit for the Group is £1.0m (2016: £0.5m). This is a largely a result of the deferred tax impact on the significant impairments in the year.

Loss for the year from discontinued operations

The losses for the year from discontinued operations relates to the sale of Avisen, the closure of Storage Fusion and the sale of Enables IT Inc. The Enables IT Inc. (US) business was sold after the year end but was classified as discontinued given that the Board had made a decision to sell this prior to the year end.

Statement of financial position

The Group's statement of financial position at 31 January 2017 is significantly decreased on the prior year, with net assets of £9.2m – down from £25.7m at 31 January 2016.

Non-current assets

Intangible assets including goodwill

Goodwill and intangible assets decreased by £6.9m in the year. Goodwill and intangibles balances of £0.9m were reclassified to the statement of financial position category of 'Assets of disposal group classified as held for sale' and impaired in that statement of financial position category, and within the loss from discontinued operations. Significant impairment charges of £10.2m were booked against both goodwill and intangible asset balances, £9.4m of which relates to continuing operations and the balance of £0.8m to discontinued operations Avisen UK Limited and Storage Fusion Limited.

Property, plant and equipment

This decrease of £0.6m in the year is mainly as a result of including the property, plant and equipment of Enables IT Inc. (£0.6m) within the separate statement of financial position total of 'Assets of disposal group classified as held for sale'.

Interests in associates

This represents the interest in Sitemap Ltd, as well as the interest in 1Spatial Inc. up to February 2016, before the Group acquired a controlling interest. The decrease in the year is a result of equity-accounting the associates' losses in the year.

Current assets

Trade and other receivables

Trade and other receivables were £8.9m, a decrease of £1.9m on the prior year balance of £10.8m. One of the main reasons for this is the balances attributable to discontinued operations that at the current year end are either sold (Avisen UK Limited), dormant (Storage Fusion Limited) or otherwise reclassified as held for sale (Enables IT Inc.) which make up £1m in the prior year. The remaining decrease comes from the provision for all amounts due from Sitemap Ltd in the current year (£0.4m due from Sitemap Ltd last year) and a decrease in trade receivables of £1.5m which is offset by an increase in trade and other receivables of £0.7m due to the inclusion of 1Spatial Inc.'s current assets in the year, on gaining control of this company.

Cash balance

Net funds reduced from £5.0m in the prior year to £0.6m, after gross proceeds from a share issue of £0.9m. The analysis of this is discussed in the cash flow section below.

Assets and liabilities of disposal group classified as held for sale

In accordance with IFRS 5, the assets and liabilities of Enables IT Inc. (which was identified as a disposal group held for sale) were written down to their fair value less costs to sell of £0.1m.

Current liabilities

Trade and other payables were £12.1m, an increase of £1.4m on the prior year balance of £10.7m. On a like-for-like basis, trade and other payables increased by £1.2m and the inclusion of 1Spatial Inc.'s current liabilities in the year has contributed a further £0.4m to the increase. The impact of discontinued operations that are not included in the current year balances offsets these increases with £0.7m.

Non-current liabilities

The decrease of £0.7m in the deferred tax liability is mainly attributable to the impact of the impairments in the year referred to in the Tax section above.

Share capital and reserves

Share capital and share premium increased by £0.9m in the year after the share placing in June 2016. Accumulated losses increased £18.5m, mainly as a result of the significant impairments of goodwill and intangible balances noted above.

Cash flow

The year end cash and cash equivalents position was £1.3m (2016: £5.0m). The Group had net funds of £0.6m (2016: £5.0m).

A cash flow bridge is presented below which reconciles the adjusted* EBITDA to the year end cash balance.

	2017
	£m
Adjusted* EBITDA loss – continuing operations	(0.4)
Adjusted* EBITDA loss – discontinued operations	(1.6)
Exceptional items (paid)	(1.0)
Purchase of property, plant and equipment	(0.6)
Expenditure on product development and intellectual property capitalised	(3.6)
Working capital movements	1.6
Acquisition of 1Spatial Inc. (net of cash acquired)	(0.9)
Increase in borrowings (overdraft)	0.7
Issue of shares	0.9
Effect of forex	0.5
Net cash outflow	(4.4)
Opening net funds	5.0
Closing net funds	**0.6**

* Adjusted EBITDA is stated net of certain strategic, integration, other one-off costs and share option charge. See note 3 to the Accounts for further information

Whilst there was a net cash outflow in the period, the above summary details some of the key cash outflows which are strategically important for the Group including the acquisition of 1Spatial Inc. and the investment in the R&D activities. From a trading perspective the main cash outflow was the payment of exceptional costs which includes restructuring and redundancy costs of £0.7m to streamline the business.

The Company was pleased to secure funds from the placing in June 2016 and which strengthened the cash position together with the overdraft facility.

1Spatial Inc. (previously LSI)

In February 2016, the Group exercised its option to acquire a further 26% of 1Spatial Inc. for the sum of US$1.3m (£0.9m). The Group funded this acquisition through a small fund raise of £0.9m. This brought 1Spatial plc's total holding in 1Spatial Inc. to 73%. Subsequent to the year end, in April 2017, the Group exercised its final option to acquire the remaining 27% for US$0.9m (£0.7m) through the issue of shares, taking its ownership to 100%. This acquisition positions us to achieve our strategic goals across the Group. The US is an area of main focus for growth and we continue to work alongside key customers and partners such as US Census and ESRI to achieve progress in this region.

Sitemap

In April 2017, 1Spatial acquired the 51% of Sitemap Ltd that it did not already own for £0.2m through the issue of shares. The Company's investment in Sitemap to date has funded the development of a solution which locates and visualises sites which best fit commercial and residential property developer needs. The offering is still under development with market analysis, research and business development opportunities being reviewed.

With the final increase in our interests of 1Spatial Inc. and Sitemap Ltd to 100%, we now have full control of the strategic direction of all companies across the Group and a clear roadmap to drive profitable growth.

Outlook

Following a challenging year, we are pleased to now be in a position of stability with a clear path to growth.

We will continue to drive long-term shareholder value by executing on our strategy to be a technology enabled solutions provider investing in our people, technology and relationships with partners and exploiting the opportunities across geographic markets particularly in the US.

We have made an encouraging start to the year and have seen some new opportunities close in the first quarter which has added to our growing number of opportunities .We look forward to a year of progress and are positioned well to achieve our strategic goals and drive profitable growth.

Consolidated statement of comprehensive income
For the year ended 31 January 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Revenue	2	22,065	18,262
Cost of sales		(12,386)	(7,677)
Gross profit		**9,679**	**10,585**
Administrative expenses		(25,129)	(11,258)
		(15,450)	(673)
Adjusted* EBITDA		(407)	2,902
Less: depreciation		(452)	(362)
Less: amortisation and impairment of intangible assets	5	(11,408)	(1,156)
Less: share-based payment charge		(566)	(976)
Less: strategic, integration and other one-off items	3	(2,617)	(1,081)
Operating loss		**(15,450)**	**(673)**
Finance income		176	74
Finance costs		(208)	(101)
Net finance cost		(32)	(27)
Share of net loss of associates accounted for using the equity method	6	(266)	(421)
Loss before tax		**(15,748)**	**(1,121)**
Income tax credit	4	988	503
Loss for the year from continuing operations		**(14,760)**	**(618)**
Discontinued operations			
(Loss)/profit for the year from discontinued operations (attributable to equity holders of the company)	9	(3,542)	630
(Loss)/profit for the year attributable to:			
Equity shareholders of the Parent		**(18,423)**	**12**
Non-controlling interest		**121**	**-**
		(18,302)	**12**
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit or loss:			
Actuarial (losses)/gains arising on defined benefit pension, net of tax		(36)	56
Exchange differences arising on translation of net assets of foreign operations		281	(140)
Other comprehensive profit/(loss) for the year, net of tax		245	(84)
Total comprehensive loss for the year		**(18,057)**	**(72)**
Total comprehensive loss attributable to:			
Equity shareholders of the Parent		**(18,169)**	**(72)**
Non-controlling interest		**112**	**-**
		(18,057)	**(72)**
Total comprehensive loss attributable to equity shareholders of the Parent arises from:			
- Continuing operations		(14,258)	(515)
- Discontinued operations		(3,799)	443
		(18,057)	**(72)**

	Note	2017 £'000	2016 £'000
(Loss)/earnings per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the year (expressed in pence per ordinary share**):**			
Basic (loss)/earnings per share		**(2.53)**	**0.00**
From continuing operations	15	(2.04)	(0.09)
From discontinued operations	15	(0.49)	0.09
Diluted (loss)/earnings per share		**(2.53)**	**0.00**
From continuing operations	15	(2.04)	(0.09)
From discontinued operations	15	(0.49)	0.09

* Adjusted for strategic, integration, other one-off items (note 3) and share-based payment charge.

Registered company number (England): 5429800

Consolidated statement of financial position
As at 31 January 2017

	Note	2017 £'000	*Restated 2016 £'000
Assets			
Non-current assets			
Intangible assets including goodwill	5	11,968	18,900
Property, plant and equipment		1,057	1,638
Interests in associates	6	-	1,577
Total non-current assets		**13,025**	**22,115**
Current assets			
Trade and other receivables	7	8,929	10,815
Current income tax receivable		-	391
Cash and cash equivalents	8	1,285	4,996
Total current assets		**10,214**	**16,202**
Assets of disposal group classified as held for sale	9	547	-
Total assets		**23,786**	**38,317**
Liabilities			
Current liabilities			
Bank borrowings		(681)	-
Trade and other payables	10	(12,072)	(10,686)
Current income tax liabilities		(23)	-
Obligations under finance leases		(11)	-
Provisions	11	(242)	(385)
Total current liabilities		**(13,029)**	**(11,071)**
Non-current liabilities			
Obligations under finance leases		(53)	-
Defined benefit pension obligation		(614)	(457)
Deferred tax	12	(421)	(1,122)
Total non-current liabilities		**(1,088)**	**(1,579)**
Liabilities of disposal group classified as held for sale	9	(447)	-
Total liabilities		**(14,564)**	**(12,650)**
Net assets		**9,222**	**25,667**
Share capital and reserves			
Share capital	13	16,449	16,223
Share premium account	13	22,931	22,264
Own shares held	13	(303)	(306)
Equity-settled employee benefits reserve	13	3,254	2,688
Merger reserve	13	15,347	15,347
Reverse acquisition reserve	13	(11,584)	(11,584)
Currency translation reserve	13	(142)	(432)
Accumulated losses		(36,992)	(18,533)
Total equity attributable to shareholders of the parent		**8,960**	**25,667**
Non-controlling interests		**262**	**-**
Total equity		**9,222**	**25,667**

* During the course of the integration of the Enables IT group, additional loss-making contract provisions were identified as being required on acquisition. As these were identified within 12 months of the acquisition, they have been reflected as fair value adjustments at acquisition in accordance with IFRS 3, *'Business combinations'*. The adjustment has been to increase goodwill and provisions by £41,000.

Consolidated statement of changes in equity
For the year ended 31 January 2017

£'000	Share capital	Share premium account	Own shares held	Equity-settled employee benefits reserve	Merger reserve	Reverse acquisition reserve	Currency translation reserve	Accumulated losses	Total equity attributable to shareholders of the parent	Non-controlling interest	Total equity
Balance at 1 February 2015	**15,572**	**20,608**	**(306)**	**1,711**	**13,900**	**(11,584)**	**(292)**	**(18,601)**	**21,008**	**-**	**21,008**
Comprehensive (loss)/income											
Profit for the year	-	-	-	-	-	-	-	12	12	-	12
Other comprehensive income/(loss)											
Actuarial gains arising on defined benefit pension	-	-	-	-	-	-	-	56	56	-	56
Exchange differences on translating foreign operations	-	-	-	-	-	-	(140)	-	(140)	-	(140)
Total other comprehensive (loss)/income	-	-	-	-	-	-	(140)	56	(84)	-	(84)
Total comprehensive (loss)/income	**-**	**-**	**-**	**-**	**-**	**-**	**(140)**	**68**	**(72)**	**-**	**(72)**
Transactions with owners											
Proceeds from shares issued (note 13)	651	1,656	-	-	1,447	-	-	-	3,754	-	3,754
Recognition of share-based payments	-	-	-	977	-	-	-	-	977	-	977
	651	**1,656**	**-**	**977**	**1,447**	**-**	**-**	**-**	**4,731**	**-**	**4,731**
Balance at 31 January 2016	**16,223**	**22,264**	**(306)**	**2,688**	**15,347**	**(11,584)**	**(432)**	**(18,533)**	**25,667**	**-**	**25,667**
Comprehensive (loss)/income											
Loss for the year	-	-	-	-	-	-	-	(18,423)	(18,423)	121	(18,302)
Other comprehensive income/(loss)											
Actuarial losses arising on defined benefit pension	-	-	-	-	-	-	-	(36)	(36)	-	(36)
Exchange differences on translating foreign operations	-	-	-	-	-	-	290	-	290	(9)	281
Total other comprehensive income/(loss)	-	-	-	-	-	-	290	(36)	254	(9)	245
Total comprehensive (loss)/income	**-**	**-**	**-**	**-**	**-**	**-**	**290**	**(18,459)**	**(18,169)**	**112**	**(18,057)**
Transactions with owners											
Exercise of share options	-	11	3	-	-	-	-	-	14	-	14
Proceeds from shares issued (note 13) net of share issue costs of £23k	226	656	-	-	-	-	-	-	882	-	882
Recognition of share-based payments	-	-	-	566	-	-	-	-	566	-	566
	226	**667**	**3**	**566**	**-**	**-**	**-**	**-**	**1,462**	**-**	**1,462**
Transactions with non-controlling interest											
Non-controlling interest arising on acquisition	-	-	-	-	-	-	-	-	-	150	150
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150**	**150**
Balance at 31 January 2017	**16,449**	**22,931**	**(303)**	**3,254**	**15,347**	**(11,584)**	**(142)**	**(36,992)**	**8,960**	**262**	**9,222**

Consolidated statement of cash flows
For the year ended 31 January 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash used in operations	(a)	(1,061)	(721)
Interest received		3	74
Interest paid		(169)	(105)
Tax received		425	55
Net cash used in operating activities		**(802)**	**(697)**
Cash flows from investing activities			
Acquisition of subsidiary (net of cash acquired)	9	(852)	465
Cash disposed with subsidiary		(48)	-
Acquisition of investment in associate	6	-	(1,498)
Purchase of property, plant and equipment		(574)	(841)
Proceeds from sale of property, plant and equipment		84	52
Proceeds from sale of building (asset previously held for sale)		-	687
Expenditure on product development and intellectual property capitalised		(3,552)	(3,011)
Net cash used in investing activities		**(4,942)**	**(4,146)**
Cash flows from financing activities			
Repayment of borrowings		-	(438)
Net proceeds of share issue	13	896	1,940
Net cash generated from financing activities		**896**	**1,502**
Net decrease in cash and cash equivalents		(4,848)	(3,341)
Cash and cash equivalents at start of year		4,996	8,250
Less cash and cash equivalents in assets held for sale		(51)	-
Effects of foreign exchange on cash and cash equivalents		507	87
Cash and cash equivalents at end of year	**(b)**	**604**	**4,996**

Cash flows of discontinued operations included above

	2017 £'000	2016 £'000
Net cash generated from/(used in) operating activities	434	(217)
Net cash used in investing activities	(668)	(344)
Total	**(234)**	**(561)**

Notes to the consolidated statement of cash flows

(a) Cash used in operations

	Note	2017 £'000	2016 £'000
Loss before tax including discontinued operations		(19,455)	(491)
Adjustments for:			
Share of net loss of associates		266	421
Net finance cost		176	31
Depreciation		795	427
Amortisation and impairment of intangible assets		14,445	1,474
Share-based payment charge		566	977
Net foreign exchange movement		(544)	(202)
Loss on disposal of building (asset previously held for sale)		-	272
Loss on disposal of property, plant and equipment		33	18
Decrease/(increase) in trade and other receivables		2,233	(3,012)
Increase in trade and other payables		538	134
Decrease in provisions		(155)	(1,283)
Increase in defined benefit pension obligation		41	513
Cash used in operations		**(1,061)**	**(721)**

(b) Reconciliation of net cash flow to movement in net funds

	2017 £'000	2016 £'000
Decrease in cash in the year	(4,848)	(3,341)
Net cash outflow in respect of borrowings paid	-	438
Changes resulting from cash flows	**(4,848)**	**(2,903)**
Less cash and cash equivalents in assets held for sale	(51)	-
Effect of foreign exchange	507	82
Change in net funds	**(4,392)**	**(2,821)**
Net funds at beginning of year	4,996	7,817
Net funds at end of year	**604**	**4,996**
Analysis of net funds		
Cash and cash equivalents classified as:		
Current assets	1,285	4,996
Bank and other loans	(681)	-
Net funds at end of year	**604**	**4,996**

Notes to the preliminary information
For the year ended 31 January 2017

1. Basis of preparation

The preliminary information of 1Spatial plc is prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS, and comply with Article 4 of the EU IAS Regulation.

The preliminary information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The preliminary information is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The accounting policies adopted in the preparation of the preliminary information are consistent with those followed in the preparation of the financial statements for the year ended 31 January 2016.

The results shown for the year ended 31 January 2017 and 31 January 2016 are audited. The consolidated financial information contained in this announcement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts of the Company in respect of the financial year ended 31 January 2017 were approved by the Board of directors on 22 May 2017 and will be delivered to the Registrar of Companies in due course. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph nor any statement under Section 498 of the Companies Act 2006.

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2. Segmental information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The United Kingdom is the home country of the Group. For management purposes during the year, the Group was organised into the following operating divisions – Central costs, Geospatial (1Spatial Group including France and Belgium and 1Spatial Inc. (previously Laser Scan Inc.)) and Cloud, (Avisen, Enables IT, Storage Fusion and Sitemap). These divisions are the basis on which the Group reports its segmental information. The Geospatial business represents the core 1Spatial business which has offices in the UK (Cambridge), Ireland, France, Belgium, Australia and the USA (Washington DC). The Cloud Services division represents the Enables IT business plus the two smaller businesses previously operated by the Group, of Avisen and Storage Fusion. Avisen, Enables IT Inc. and Storage Fusion have been treated as discontinued operations in this preliminary information, within the Cloud segment. The Central costs mainly represent costs associated with 1Spatial plc including costs of the Board of Directors and other costs which are not specific to any of the other segments. Examples of cost include the Group accounting function and marketing. It also includes costs associated with being an AIM listed company and other statutory costs including audit fees.

The Board assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement basis excludes the effects of strategic, integration and other one-off items from the operating segments.

2. Segmental information

The segment information provided to the Board for the reportable segments for the year ended 31 January 2017 is as follows:

31 January 2017	Central costs £'000	Geospatial £'000	Cloud £'000	Total £'000
Revenue	-	15,133	6,932	22,065
Cost of sales	-	(6,868)	(5,518)	(12,386)
Gross profit	**-**	**8,265**	**1,414**	**9,679**
Total administrative expenses	(5,157)	(18,758)	(1,214)	(25,129)
Adjusted EBITDA	(2,352)	1,478	467	(407)
Less: depreciation	(57)	(240)	(155)	(452)
Less: amortisation and impairment of intangible assets	-	(11,323)	(85)	(11,408)
Less: share-based payment charge	(550)	(16)	-	(566)
Less: strategic, integration and other one-off items	(2,198)	(392)	(27)	(2,617)
Total operating (loss)/profit	**(5,157)**	**(10,493)**	**200**	**(15,450)**
Finance income	-	176	-	176
Finance cost	(116)	(85)	(7)	(208)
Net finance (cost)/income	**(116)**	**91**	**(7)**	**(32)**
Share of net loss of associates accounted for using the equity method	-	(39)	(227)	(266)
Loss before tax	**(5,273)**	**(10,441)**	**(34)**	**(15,748)**
Tax	-	1,081	(93)	988
Loss for the year	**(5,273)**	**(9,360)**	**(127)**	**(14,760)**
Loss for the year from discontinued operations	-	-	(3,542)	(3,542)
Loss for the year attributable to:				
Equity holders of the parent	(5,273)	(9,481)	(3,669)	(18,423)
Non-controlling interest	-	121	-	121
	(5,273)	**(9,360)**	**(3,669)**	**(18,302)**
Loss for the year from:				
- Continuing operations	(5,273)	(9,360)	(127)	(14,760)
- Discontinued operations	-	-	(3,542)	(3,542)
	(5,273)	**(9,360)**	**(3,669)**	**(18,302)**

31 January 2017	Central costs £'000	Geospatial £'000	Cloud £'000	Total £'000
Segment assets	323	19,422	4,041	23,786
Segment liabilities	(2,304)	(8,966)	(3,294)	(14,564)
Segment net assets	**(1,981)**	**10,456**	**747**	**9,222**

The revenue from external parties reported to the Board is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board in the year ended 31 January 2017 with respect to total assets and total liabilities are measured in a manner consistent with that of the preliminary information. Assets are allocated based on the operations of the segment and the physical location of the asset. Liabilities are allocated based on the operations of the segment.

31 January 2016	Central costs £'000	Geospatial £'000	Cloud £'000	Total £'000
Revenue	-	15,957	2,305	18,262
Cost of sales	-	(6,172)	(1,505)	(7,677)
Gross profit	**-**	**9,785**	**800**	**10,585**
Total administrative expenses	(3,216)	(7,480)	(562)	(11,258)
Adjusted EBITDA	(2,105)	4,659	348	2,902
Less: depreciation	(74)	(220)	(68)	(362)
Less: amortisation and impairment of intangible assets	-	(1,114)	(42)	(1,156)
Less: share-based payment charge	(690)	(286)	-	(976)
Less: strategic, integration and other one-off items	(347)	(734)	-	(1,081)
Total operating (loss)/profit	**(3,216)**	**2,305**	**238**	**(673)**
Finance income	9	65	-	74
Finance cost	(3)	(95)	(3)	(101)
Net finance income/(cost)	**6**	**(30)**	**(3)**	**(27)**
Share of net loss of associates accounted for using the equity method	-	(148)	(273)	(421)
(Loss)/profit before tax	**(3,210)**	**2,127**	**(38)**	**(1,121)**
Tax	-	495	8	503
(Loss)/profit for the year	**(3,210)**	**2,622**	**(30)**	**(618)**
Profit for the year from discontinued operations	**-**	**-**	**630**	**630**
(Loss)/profit for the year attributable to:	**(3,210)**	**2,622**	**600**	**12**
Equity holders of the parent	(3,210)	2,622	600	12
Non-controlling interest	-	-	-	-
	(3,210)	**2,622**	**600**	**12**

(Loss)/profit for the year from:				
- Continuing operations	(3,210)	2,622	(30)	(618)
- Discontinued operations	-	-	630	630
	(3,210)	**2,622**	**600**	**12**

31 January 2016	Central costs £'000	Geospatial £'000	Cloud £'000 (restated*)	Total £'000
Segment assets	1,304	28,536	8,477	38,317
Segment liabilities	(1,241)	(8,132)	(3,277)	(12,650)
Segment net assets	**63**	**20,404**	**5,200**	**25,667**

* During the course of the integration of the Enables IT group, additional loss-making contract provisions were identified as being required on acquisition. As these were identified within 12 months of the acquisition, they have been reflected as fair value adjustments at acquisition in accordance with IFRS 3, 'Business combinations'. The adjustment has been to increase goodwill and provisions by £41,000.

The following table provides an analysis of the Group's non-current assets located in all countries in which the entity holds assets.

	2017 £'000	2016 (restated*) £'000
United Kingdom (being the Company's country of domicile)	8,965	11,650
Europe	1,498	7,406
United States	2,556	3,047
Rest of World	6	12
	13,025	**22,115**

The following table represents major customers where revenues exceed 10% of the Group's revenue.

	Operating segment	2017 £'000	2016 £'000
Customer 1	Cloud	5,300	-

The Group's operations are located in the UK, Ireland, Australia, the United States and mainland Europe. The following table provides an analysis of the Group's revenue by geographical destination.

	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000	2016 Continuing £'000	2016 Discontinued £'000	2016 Total £'000
United Kingdom	11,293	565	11,858	8,609	1,215	9,824
Europe	6,479	2	6,481	5,905	1	5,906
United States	2,653	1,738	4,391	1,392	881	2,273
Rest of World	1,640	230	1,870	2,356	379	2,735
	22,065	2,535	**24,600**	18,262	2,476	**20,738**

The following table provides an analysis of the Group's revenue by country of domicile.

	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000	2016 Continuing £'000	2016 Discontinued £'000	2016 Total £'000
United Kingdom	12,442	797	13,239	11,023	1,595	12,618
Europe	6,121	-	6,121	6,222	-	6,222
United States	2,262	1,738	4,000	171	881	1,052
Rest of World	1,240	-	1,240	846	-	846
	22,065	2,535	**24,600**	18,262	2,476	**20,738**

The following table provides an analysis of the Group's revenue by category.

	2017 Continuing £'000	2017 Discontinued £'000	2017 Total £'000	2016 Continuing £'000	2016 Discontinued £'000	2016 Total £'000
Licences	1,458	69	1,527	2,713	199	2,912
Services	7,872	995	8,867	7,080	1,421	8,501
Support and maintenance	8,770	1,223	9,993	7,418	779	8,197
Products	3,965	248	4,213	882	77	959
Other	-	-	-	169	-	169
	22,065	2,535	**24,600**	18,262	2,476	**20,738**

3. Strategic, integration and other one-off items

In accordance with the Group's policy for strategic, integration and other one-off items, the following charges were included in this category for the year:

	2017 £'000	2016 £'000
Costs associated with corporate transactions and other strategic costs	228	630
Integration costs associated with Enables IT and 1Spatial Inc. business	121	121
Loss-making contract release in Belgium	-	(254)
Defined benefit pension provision in France	-	454
Loss on sale of building in Belgium	-	272
System development costs	105	11
Restructuring and redundancy costs	844	129
Provision for amount receivable from Sitemap Ltd	1,334	-
Release of liability for sales tax exposure	-	(411)
Other	(15)	129
Total	**2,617**	**1,081**

Corporate transactions and other strategic costs comprise broker costs, due diligence and other advisory fees. In addition, and in line with our stated strategy, the Company assessed other potential acquisitions during the year and used various advisers to assist with this process and the overall strategic direction of the Company.

Integration costs incurred on the acquisition of Enables IT and 1Spatial Inc. include rebranding costs and other costs of aligning operating strategies and sales and marketing strategies.

In the previous year we identified additional costs related to the defined benefit pension scheme operated by 1Spatial France, the subsidiary acquired in June 2013. The Group revised its approach to estimating the liability in that year which gave rise to the increased cost. This year there is no such exceptional cost; the associated costs and income have been recognised within administrative costs, finance costs and other comprehensive income.

During the year the Group invested a significant amount in redesigning its website and HR system.

Substantial cost was incurred in the year to restructure the Group and the Board of Directors; compensation for loss of office of £375,000 has been included in the amount above.

The Group provided for amounts due from associate Sitemap Ltd totalling £1,334,000 in the year; these amounts relate to funding the activities of Sitemap Ltd.

4. Income tax charge/(credit)

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on income for year	-	45
Foreign tax	33	39
Adjustments in respect of prior years	(22)	(175)
Total current tax	**11**	**(91)**
Deferred tax (note 12)		
Origination and reversal in temporary differences	(960)	(412)
Effect of decreased tax rate on opening deferred tax position	(39)	-
Total deferred tax	**(999)**	**(412)**
Total tax credit	**(988)**	**(503)**

Factors affecting the tax credit for the year:
The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(15,748)	(1,121)
	(15,748)	**(1,121)**
Loss on ordinary activities before tax multiplied by the effective rate of corporation tax in the UK of 20% (2016: 20.16%)	(3,150)	(226)
Effect of:		
Expenses not deductible for tax purposes	1,452	240
Income not taxable	-	(193)
Overseas tax rates higher than UK tax rates	(530)	(147)
Tax losses for which no deferred tax asset was recognised	1,198	76
Adjustments in respect of prior years	(22)	(175)
Impact of change in tax rate	64	(78)
Total tax credit for year	**(988)**	**(503)**

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These changes included amongst other things, the reduction in the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020, so the relevant deferred tax balances have been re-measured at 17% for the current year end.

5. Intangible assets including goodwill

	*Restated Goodwill	Brands	Customers and related contracts	Software	Development costs	Website costs	Intellectual property	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 February 2016	14,510	232	3,680	4,059	8,718	30	26	**31,255**
Arising on acquisition	2,310	-	250	-	-	-	-	**2,560**
Additions	-	-	-	11	3,527	-	14	**3,552**
Reclassified as held for sale	(469)	-	(458)	-	-	-	-	**(927)**
Disposals	(339)	-	-	-	-	-	-	**(339)**
Effect of foreign exchange	397	-	188	125	387	-	-	**1,097**
At 31 January 2017	**16,409**	**232**	**3,660**	**4,195**	**12,632**	**30**	**40**	**37,198**
Accumulated impairment and amortisation								
At 1 February 2016	6,355	96	859	2,370	2,645	30	-	**12,355**
Reclassified as held for sale	-	-	(69)	-	-	-	-	**(69)**
Amortisation – continuing operations	-	23	366	436	1,212	-	-	**2,037**
Amortisation – discontinued operations	-	-	46	-	307	-	-	**353**
Impairment – continuing operations	5,077	-	1,214	281	2,799	-	-	**9,371**
Impairment – discontinued operations	-	-	-	-	874	-	-	**874**
Effect of foreign exchange	-	-	83	84	142	-	-	**309**
At 31 January 2017	**11,432**	**119**	**2,499**	**3,171**	**7,979**	**30**	**-**	**25,230**
Net book amount at 31 January 2017	**4,977**	**113**	**1,161**	**1,024**	**4,653**	**-**	**40**	**11,968**

* During the course of the integration of the Enables IT group, additional loss-making contract provisions were identified as being required on acquisition. As these were identified within 12 months of the acquisition, they have been reflected as fair value adjustments at acquisition in accordance with IFRS 3, 'Business combinations'. The adjustment has been to increase goodwill and provisions by £41,000.

	*Restated Goodwill	Brands	Customers and related contracts	Software	Development costs	Website costs	Intellectual property	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 February 2015	13,268	232	2,357	4,053	5,635	30	18	**25,593**
Arising on acquisition of Enables IT	1,348	-	1,307	-	-	-	-	**2,655**
Additions	-	-	-	-	3,003	-	8	**3,011**
Effect of foreign exchange	(106)	-	16	6	80	-	-	**(4)**
At 31 January 2016	**14,510**	**232**	**3,680**	**4,059**	**8,718**	**30**	**26**	**31,255**
Accumulated impairment and amortisation								
At 1 February 2015	6,355	73	567	1,958	1,881	30	-	**10,864**
Amortisation	-	23	287	409	755	-	-	**1,474**
Effect of foreign exchange	-	-	5	3	9	-	-	**17**
At 31 January 2016	**6,355**	**96**	**859**	**2,370**	**2,645**	**30**	**-**	**12,355**
Net book amount at 31 January 2016	**8,155**	**136**	**2,821**	**1,689**	**6,073**	**-**	**26**	**18,900**

The net book amount of development costs includes £4,653,000 (2016: £6,073,000) internally generated capitalised software development costs that meet the definition of an intangible asset. The amortisation charge of £2,037,000 (2016: £1,474,000) is included in the administrative expenses in the statement of comprehensive income.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs). The basis of the allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. Although 1Spatial and 1Spatial France and 1Spatial Belgium's CGUs are both in the Geospatial segment, they use different technologies and generate largely independent cash flows. A summary of the goodwill allocation is presented below.

	2017				**2016**			
Goodwill	**Avisen & Enables IT £'000**	**1Spatial £'000**	**1Spatial France / Belgium £'000**	**Total £'000**	***Restated Avisen & Enables IT £'000**	**1Spatial £'000**	**1Spatial France / Belgium £'000**	**Total £'000**
Opening NBA	1,073	3,960	3,122	**8,155**	339	3,346	3,228	**6,913**
Arising on acquisition	-	2,310	-	**2,310**	734	614	-	**1,348**
Reclassified as held for sale	(254)	(215)	-	**(469)**	-	-	-	**-**
Disposal	(339)	-	-	**(339)**	-	-	-	**-**
Impairment	-	(1,562)	(3,515)	**(5,077)**	-	-	-	**-**
Foreign exchange	-	-	397	**397**	-	-	(106)	**(106)**
Closing NBA	**480**	**4,493**	**4**	**4,977**	**1,073**	**3,960**	**3,122**	**8,155**

The impairment in 1Spatial includes £399,000 which relates to goodwill on the Enables IT acquisition in July 2015 that was originally attributable to synergies with 1Spatial. The Group's subsequently changed its strategy making this synergy no longer achievable.

Basis for calculation of recoverable amount

The Group has prepared, and formally approved, a five-year plan for each CGU. The detailed plan put together by the management team and the Board makes judgements and assessments on revenue and gross profit expectations. This is from both contracted and pipeline revenue streams. It also takes account of historic success of winning new work and has been prepared in accordance with IAS 36, 'Impairment of Assets'.

The key assumptions used in the value in use calculations were the pre-tax discount rates applied (18%) for all CGUs and the growth assumptions for each CGU. 1Spatial (excluding France and Belgium) has forecast growth in sales and corresponding costs for the year ending 31 January 2018 (12% and 2% respectively). Growth is forecast at 10% for the following three years and 5% thereafter. 1Spatial France and Belgium has forecast an increase in sales of 22% for the year ending 31 January 2018 and a decrease in overheads of 3% for the year ending 31 January 2018. Growth is forecast at 30% for the next two years and 10% thereafter. Enables IT has forecast growth in sales and corresponding costs for the year ending 31 January 2018 (2% and 2% respectively). Growth is forecast at 10% for the following three years and 5% thereafter. Subsequent to its acquisition, 1Spatial Inc. has been included with 1Spatial as a CGU. An impairment review has been performed and impairment identified in 1Spatial as well as in 1Spatial France and Belgium. In 1Spatial France and Belgium, all remaining intangible assets would be impaired if the growth rates were decreased to those of the other two CGUs.

The rates used in the above assumptions are consistent with management's knowledge of the industry and strategic plans going forward. The assumptions noted above have been given in terms of revenue and overhead percentage growth. For 2018 and subsequent years, the assumption has been provided in terms of growth on the prior year EBIT margin. The terminal growth rate of 2% does not exceed the long-term growth rate for the business in which the CGUs operate. Discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The forecasts are most sensitive to changes in revenue and overhead assumptions (taken together as the EBIT margin). There would have to be a reduction in forecast EBIT margin by 56% in the year ending 31 January 2018 for the headroom to be removed on Enables IT.

6. Interests in associates

Investments in associates are stated at cost less provision for any impairment.

Associates are accounted for using the equity method in this preliminary information as set out in the Group's accounting policies.

	2017 £'000	2016 £'000
Carrying value recognised in the statement of financial position at 31 January	-	1,577
Share of net loss recognised in the statement of comprehensive income:	266	421

Details of the associate at 31 January 2017 are as follows:

Name	Principal activity	Place of incorporation (or registration) and operation	Proportion of ownership interest		Proportion of voting power held	
			31 January 2017	31 January 2016	31 January 2017	31 January 2016
Sitemap Ltd (Note 1)	Location-based software	United Kingdom	49%	49%	49%	49%
1Spatial Inc. (previously LSI) (Note 2)	Location-based software	United States	73%	47%	73%	47%

Note 1: Sitemap Ltd was acquired on 30 January 2015, and brings a new, although complementary, opportunity to the Group in its potential to generate revenue from data services. The Group's share of the assets including goodwill of the associate is £nil (2016: £227,000).

Note 2: 1Spatial Inc. – the sole US-based distributor of 1Spatial geospatial products and solutions across the Americas – was acquired on 3 February 2015 by 1Spatial Holdings Limited (a wholly-owned subsidiary of 1Spatial plc) to provide 1Spatial with long-term security of its Americas distribution channel, and ensure continuity of service to key customers. 47 per cent was acquired for cash consideration of US$2.25m (£1.5m).

On 29 February 2016, the Group exercised its call option to acquire a further 26 per cent of 1Spatial Inc. for US$1.3m (£0.9m), paid in cash, taking the Group's total holding in 1Spatial Inc. to 73 per cent. The remaining 27 per cent call option was exercised on 11 April 2017 for consideration of US$0.9m, satisfied by the issue of new ordinary shares in 1Spatial.

The Group's share of the assets including goodwill of the associate is £nil (2016: £1,350,000).

Summarised financial information for associates

The financial information reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts).

Summarised statement of financial position

	Sitemap Ltd		1Spatial Inc. (previously Laser Scan Inc.)	
	As at		As at	
	31 January 2017 £'000	31 January 2016 £'000	31 January 2017 £'000	31 January 2016 £'000
			Note 3	
Current assets	54	131	461	567
Non-current assets	1,055	613	286	965
Current liabilities	(1,395)	(636)	(187)	(650)
Net assets	**(286)**	**108**	**560**	**882**

Summarised statement of comprehensive income

	Sitemap Ltd		1Spatial Inc. (previously Laser Scan Inc.)	
	For the year ended		For the year ended	
	31 January 2017 £'000	31 January 2016 £'000	31 January 2017 £'000	31 January 2016 £'000
			Note 3	
Revenue	**-**	**-**	**174**	**2,124**
Gross profit	**(120)**	**(104)**	**73**	**1,267**
Administrative expenses	(274)	(216)	(395)	(1,582)
Adjusted EBITDA	(124)	(129)	(292)	(89)
Less: depreciation	(4)	(1)	(1)	(6)
Less: amortisation and impairment of intangible assets	(111)	(111)	-	(53)
Less: strategic, integration and other one-off items	(155)	(79)	(29)	(167)
Operating loss	(394)	(320)	(322)	(315)
Net finance cost	-	-	-	-
Pre-tax loss from continuing operations	**(394)**	**(320)**	**(322)**	**(315)**
Taxation	-	-	-	-
Post-tax loss from continuing operations	**(394)**	**(320)**	**(322)**	**(315)**

There are no items in other comprehensive income or expense.

Note 3: The investment in 1Spatial Inc. was made on 3 February 2015. It became a subsidiary in February 2016 when the Group exercised its option to purchase a further 26% of the share capital of 1Spatial Inc. (see note 14). The summarised statement of financial position relating to 1Spatial Inc. above is as at the date before it ceased to be an associate, and the summarised statement of comprehensive income relating to 1Spatial Inc. above is for the period that it was an associate.

Reconciliation of the summarised financial information presented to the carrying value of the interest in associates:

	Sitemap Ltd		1Spatial Inc. (previously Laser Scan Inc.)		Total	
	For the year ended		For the year ended		For the year ended	
	31 January 2017 £'000	31 January 2016 £'000	31 January 2017 £'000	31 January 2016 £'000	31 January 2017 £'000	31 January 2016 £'000
			Note 3			
Opening net assets	**108**	**428**	**882**	**-**	**990**	**428**
Net assets at time of investment	-	-	-	1,197	-	1,197
Loss for the period	(394)	(320)	(322)	(315)	(716)	(635)
Closing net assets	**(286)**	**108**	**560**	**882**	**274**	**990**
Interests in associates (49%, 47%)	(140)	53	263	415	123	468
Transfer on acquisition of control	-	-	(1,198)	-	(1,198)	-
Amounts charged by group companies, capitalised in non-current assets	(34)	(116)	-	-	(34)	(116)
Goodwill	174	290	935	935	1,109	1,225
Carrying value	**-**	**227**	**-**	**1,350**	**-**	**1,577**

7. Trade and other receivables

Current	**2017 £'000**	**2016 £'000**
Trade receivables	5,552	6,069
Less: provision for impairment of trade receivables	(626)	(45)
	4,926	**6,024**
Other taxes and social security	144	119
Other receivables	1,278	1,645
Prepayments and accrued income	2,581	3,027
	8,929	**10,815**

The fair value of the Group's trade receivables and other receivables is the same as its book value stated above. No interest is charged on overdue receivables.

At 31 January 2017, trade receivables of £3,808,000 (2016: £4,008,000) were fully performing. The Group has provided fully for all receivables which are not considered recoverable. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

At 31 January 2017, trade receivables of £1,118,000 (2016: £2,016,000) were past due but not impaired. The ageing analysis of these customers is set out below. There has been no change in the credit quality of these balances; they relate to customers where there is no history of default and are still considered fully recoverable.

	2017 £'000	**2016 £'000**
Up to 3 months overdue	1,025	1,684
3 to 6 months overdue	12	251
6 to 12 months overdue	81	43
> 12 months overdue	-	38
	1,118	**2,016**

As of 31 January 2017, trade receivables of £626,000 were impaired (2016: £45,000) and provided for.

The ageing of these receivables is as follows:

	2017 £'000	2016 £'000
Up to 3 months overdue	114	24
3 to 6 months overdue	33	-
6 to 12 months overdue	352	11
> 12 months	127	10
	626	**45**

Movements on the Group provision for impairment of trade receivables are as follows:

	2017 £'000	2016 £'000
At 1 February	45	16
Creation of provision	581	29
At 31 January	**626**	**45**

The creation of the provision for impaired receivables have been included in administrative expenses in the statement of comprehensive income.

The other classes within trade and other receivables do not contain impaired assets and the Group expects to recover these in full. There are no financial assets whose terms have been renegotiated that would otherwise be past due or impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable noted above. The Group does not hold any collateral as security.

8. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	1,285	4,941
Financial assets – restricted access account	-	55
	1,285	**4,996**

The fair value of the Group's cash and cash equivalents is the same as its book value stated above.

9. Assets classified as held for sale and discontinued operations

Asset classified as held for sale

The assets and liabilities related to Enables IT, Inc. have been presented as held for sale following the decision by the Board to seek buyers for the business during the year. The Board approved the disposal with the completion date for the transaction being after the year-end, on 3 March 2017. In accordance with IFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell of £100,000 (at present value). This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within level 2 of the fair value hierarchy.

(a) Assets of disposal group classified as held for sale

	2017 **£'000**
Property, plant and equipment	621
Goodwill	469
Intangible assets	458
Impairment to fair value less costs to sell	(1,172)
Other current assets (including £51,000 cash and cash equivalents)	171
Total	**547**

(b) Liabilities of disposal group classified as held for sale

	2017 **£'000**
Trade and other payables	114
Other current liabilities	193
Other long-term liabilities	136
Provisions	4
Total	**447**

Discontinued operations

Enables IT, Inc.

Enables IT, Inc. was sold after the year-end, on 3 March 2017 to the management of the company.

	2017 £'000	2016 £'000
Revenue	1,738	881
Expenses	(1,813)	(827)
(Loss)/profit before tax of discontinued operations	(75)	54
Tax	8	4
(Loss)/profit after tax of discontinued operations	**(67)**	**58**
Pre-tax loss recognised on re-measurement of asset of disposal group	(1,172)	-
Tax	-	-
After tax loss recognised on the re-measurement of assets of disposal group	**(1,172)**	**-**
Loss for the year from discontinued operations	**(1,239)**	**58**

In addition to Enables IT, Inc. which has been classified as discontinued, the Group disposed of Avisen UK Limited and closed down Storage Fusion Limited during the year, with the results of these companies also being classified as discontinued.

Avisen UK Limited

Avisen UK Limited was sold on 2 December 2016.

	2017 £'000	2016 £'000
Revenue	727	1,373
Expenses	(1,080)	(885)
(Loss)/profit before tax of discontinued operations	(353)	488
Tax	-	100
(Loss)/profit after tax of discontinued operations	**(353)**	**588**
Pre-tax loss recognised on re-measurement of asset of disposal group	(816)	-
Tax	-	-
After tax loss recognised on the re-measurement of assets of disposal group	**(816)**	**-**
(Loss)/profit for the year from discontinued operations	**(1,169)**	**588**

Storage Fusion Limited

Storage Fusion Limited was closed down in December 2016.

	2017 £'000	2016 £'000
Revenue	69	222
Expenses	(1,203)	(435)
Loss before tax of discontinued operations	(1,134)	(213)
Tax	157	197
Loss after tax of discontinued operations	**(977)**	**(16)**
Pre-tax gain/(loss) recognised on re-measurement of asset of disposal group	(157)	-
Tax	-	-
After tax gain/(loss) recognised on the re-measurement of assets of disposal group	**(157)**	**-**
Loss for the year from discontinued operations	**(1,134)**	**(16)**

10. Trade and other payables

Current

	2017 £'000	2016 £'000
Trade payables	1,824	2,380
Other taxation and social security	2,350	1,848
Other payables	566	588
Accrued liabilities	1,254	1,448
Deferred income	6,078	4,422
	12,072	**10,686**

The Directors consider that the book value of trade payables, taxation, other payables, accrued liabilities and deferred income approximates to their fair value at the reporting date.

11. Provisions

	*Restated Provision for long-term contracts £'000	Restructuring provision £'000	Termination provision £'000	Total £'000
At 1 February 2016	367	18	-	385
Additional provision in the year	28	-	123	151
Amounts released during the year	(287)	(19)	-	(306)
Transferred to liabilities of discontinued operations held for sale	(3)	-	-	(3)
Exchange difference	14	1	-	15
At 31 January 2017	**119**	**-**	**123**	**242**
Current	**119**	**-**	**123**	**242**
Non-current	**-**	**-**	**-**	**-**

* During the course of the integration of the Enables IT group, additional loss-making contract provisions were identified as being required on acquisition. As these were identified within 12 months of the acquisition, they have been reflected as fair value adjustments at acquisition in accordance with IFRS 3, *'Business combinations'*. The adjustment has been to increase goodwill and provisions by £41,000.

Provision for long-term contracts
The Group provides for obligations arising under loss-making contracts on identification of the contract being loss-making.

Restructuring provision
The restructuring provision represented the cost of employee terminations in 1Spatial Belgium that were announced in January 2015.

Termination provision
The termination provision represents the cost of employee terminations in the year, and has been classified as a provision as there is uncertainty over the timing and amount of settlement of the future obligation.

12. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current year and prior reporting years.

	Property, plant and equipment £'000	Tax losses £'000	Accelerated tax depreciation £'000	Intangibles £'000	Other temporary differences £'000	Total £'000
At 1 February 2015	**309**	**(175)**	**6**	**1,596**	**(39)**	**1,697**
Deferred tax (credit)/charge for year in profit or loss	(309)	(684)	23	492	(157)	**(635)**
Deferred tax charge for year in other comprehensive income	-	-	-	-	29	**29**
Deferred tax charge/(credit) arising on the acquisition of Enables IT	46	(265)	-	248	-	**29**
Retranslation foreign exchange movement	-	-	-	2	-	**2**
At 1 February 2016	**46**	**(1,124)**	**29**	**2,338**	**(167)**	**1,122**
Acquired in the year (under business combination)	-	-	-	100	-	**100**
Deferred tax charge/(credit) for year in profit or loss	(11)	532	(20)	(1,667)	167	**(999)**
Deferred tax charge/(credit) for year in other comprehensive income	-	-	-	48	-	**48**
Disposals in the year	-	221	5	(76)	-	**150**
At 31 January 2017	**35**	**(371)**	**14**	**743**	**-**	**421**

Deferred income tax assets are recognised against tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable benefits is probable. The Group did not recognise deferred tax assets of £3,893,000 (2016: £2,671,000) in respect to losses amounting to £14,214,000 (2016: £11,715,000) that can be carried forward against future taxable income, on the grounds that their utilisation is not probable.

The deferred tax balance is analysed as follows:

	Deferred tax asset £'000	Deferred tax liability £'000	Total £'000
Recoverable within 12 months	110	-	110
Recoverable after 12 months	261	-	261
Settled within 12 months	-	(234)	(234)
Settled after 12 months	-	(558)	(558)
	371	**(792)**	**(421)**

13. Share capital, share premium account and own shares held

Allotted and fully paid	2017 Number	2016 Number
Ordinary shares of 1p each	738,135,558	715,499,308
Deferred shares of 4p each	226,699,878	226,699,878

Rights of shares

Ordinary shares
The ordinary shares all rank *pari passu*, have the right to participate in dividends and other distributions made by the Company, and to receive notice of, attend and vote at every general meeting of the Company. On liquidation, ordinary shareholders are entitled to participate in the assets available for distribution pro rata to the amount credited as paid up on such shares (excluding any premium).

Deferred shares
The deferred shares do not carry voting rights or a right to receive a dividend. The holders of deferred shares will not have the right to receive notice of any general meeting of the Company, nor have any right to attend, speak or vote at any such meeting. The deferred shares will also be incapable of transfer (other than to the Company). In addition, holders of deferred shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of ordinary shares has received a payment of £1,000,000 in respect of each ordinary share. Accordingly, the deferred shares will have no economic value. No application will be made for the deferred shares to be admitted to trading on AIM nor to trading on any other stock or investment exchange.

	Number of shares	Allotted, called up and fully paid shares £'000	Share premium account £'000	Own shares held £'000
At 1 February 2015	877,115,232	15,572	20,608	(306)
Issue of shares	65,083,954	651	1,692	-
Share issue costs	-	-	(36)	-
At 1 February 2016	**942,199,186**	**16,223**	**22,264**	**(306)**
Exercise of share options	-	-	11	3
Issue of shares	22,636,250	226	679	-
Share issue costs	-	-	(23)	-
At 31 January 2017	**964,835,436**	**16,449**	**22,931**	**(303)**

On 19 April 2016, 303,644 ordinary shares were transferred out of treasury shares to satisfy an exercise of employee options, leaving a balance of 3,196,356 ordinary shares in treasury.

On 29 June 2016, 1Spatial plc issued 22,636,250 new ordinary shares in the capital of the Company at a price of 4p per share, principally to satisfy the consideration due to the shareholders of Laser Scan Inc. (now 1Spatial Inc.) following the exercise on 29 February 2016 of the call option held by the Company. Total gross proceeds of £0.9m were raised resulting in £0.2m additional share capital and £0.7m additional share premium. Share issue costs were £23,000.

Own shares

As a result of the disposal of Avisen (Pty) SA Limited on 14 July 2010, 3,500,000 shares with a nominal value of 5p each were purchased and held in treasury. The consideration paid was £306,000. On 28 November 2011, the Company sub-divided its existing share capital of 5p shares into 1p ordinary shares and 4p deferred shares.

14. Business combinations

2017

On 3 February 2015 the Group entered into a share purchase agreement to acquire 47% of US distributor 1Spatial Inc. (previously Laser Scan Inc.), the US-based provider of spatial data solutions for cash consideration of US$2.25m (£1.5m).

On 29 February 2016, the Group exercised its call option to acquire a further 26% shareholding in 1Spatial Inc. for US$1.3m (£0.9m), payable in cash, taking the Group's total holding in 1Spatial Inc. to 73%. 1Spatial Inc. is the sole distributor of 1Spatial geospatial products and solutions across the Americas, which includes significant contracts with the US Census Bureau. The acquisition strengthens 1Spatial's position within the US market, which is a significant opportunity for the Group and will be a key area of focus for the next financial year.

As part of the agreement signed on 3 February 2015, the Group has the right to acquire the remaining 27% of 1Spatial Inc. from 1 February 2017. On 11 April 2017 the Group acquired the remaining 27% of 1Spatial Inc. for £739,000 (US$ 918,000) payable in shares in accordance with the terms set out in the original share purchase agreement.

The following table summarises the consideration paid for 1Spatial Inc., non-controlling interests and the fair value of assets acquired and liabilities assumed at the acquisition date:

	£'000
Value of consideration	2,719
Total purchase consideration	**2,719**

Fair values of assets and liabilities at the date of acquisition:	**£'000**
Intangible assets	250
Property, plant and equipment	36
Cash and cash equivalents	98
Trade and other receivables	363
Trade and other payables	(87)
Deferred tax liabilities	(100)
Total identifiable net assets	**560**
– Attributable to non-controlling interests	151
– Attributable to equity shareholders of the parent	409
Goodwill	2,310
Total consideration	**2,719**

Satisfied by:	
- Cash	2,448
- Share of associate losses	(187)
- Balances due to the group waived on acquisition	458
Total consideration transferred	**2,719**

Goodwill represents approximately £350,000 in relation to the assembled workforce and £1,960,000 in relation to synergies with the 1Spatial business. The fair value of trade and other receivables is £363,000 and includes trade receivables of £254,000 which is expected to be fully collectable.

Costs relating to the acquisition of £31,000 have been excluded from the consideration stated above and have been recognised as a charge to the statement of comprehensive income within administrative expenses.

The acquired business contributed revenues of £2,368,000 and a net profit of £446,000 to the Group for the period since acquisition to 31 January 2017. If the acquisition had occurred on 1 February 2016, consolidated revenue and consolidated loss for the year ended 31 January 2017 would have been £22,239,000 and £14,674,000 respectively.

2016

On 23 July 2015, 1Spatial plc acquired control over Enables IT Group plc (now Enables IT Group Limited) by acquiring 100% of its issued share capital for £1,813,000. Enables IT Group is a leading provider of cloud computing, managed and professional services and was acquired in order to broaden and enhance the enlarged group's managed services and cloud services offering. The goodwill of £1,307,000 arising on the acquisition is attributable to the expected synergies and acquired workforce.

The following table summarises the consideration paid for the Enables IT Group and the final fair value of assets acquired and liabilities assumed at the acquisition date:

	£'000
Value of consideration – issue of equity instruments	1,813
Total purchase consideration	**1,813**

Final fair values of assets and liabilities at the date of acquisition:	**£'000**
Intangible assets:	
– Customer lists	1,307
Property, plant and equipment	704
Cash and cash equivalents	465
Inventories	34
Trade and other receivables	753
Trade and other payables	(2,247)
Deferred tax liabilities	(34)
Provisions *	(517)
Total identifiable net assets	**465**

Goodwill *	1,348
Total consideration	**1,813**

Satisfied by:	
- Equity instruments (30,831,262 ordinary shares of 1Spatial plc)	1,813
Total consideration transferred	**1,813**

Net cash inflow arising on acquisition	
- Cash consideration	-
- Less: cash and cash equivalents acquired	465
	465

Costs relating to the acquisition of £253,000 have been excluded from the consideration stated above and have been recognised as a charge to the statement of comprehensive income within administrative expenses.

The fair value of trade and other receivables is £753,000 and includes trade receivables of £599,000 which is expected to be fully collectable.

The acquired business contributed revenues of £3,186,000 and a net profit of £27,000 to the Group for the period since acquisition to 31 January 2016. If the acquisition had occurred on 1 February 2015, consolidated revenue and consolidated loss for the year ended 31 January 2016 would have been £23,554,000 and £147,000 respectively.

* During the course of the integration of the Enables IT group, additional loss-making contract provisions were identified as being required on acquisition. As these were identified within 12 months of the acquisition, they have been reflected as fair value adjustments at acquisition in accordance with IFRS 3, *'Business combinations'*. The adjustment has been to increase goodwill and provisions by £41,000.

Post year end

On 11 April 2017 the Company acquired the 51% of Sitemap Ltd that it did not already own for £200,000 in shares. The Company's investment in Sitemap to date has funded the development of a solution which locates and visualises sites which best fit commercial and residential property developer needs.

	£'000
Value of consideration – issue of equity instruments	200
Total purchase consideration	**200**

Provisional fair values of assets and liabilities at the date of acquisition:	£'000
Intangible assets:	
– Developed software	200
Property, plant and equipment	2
Prepayments	12
Other taxes and social security	41
Accruals	(53)
Total identifiable net assets	**202**

Gain on bargain purchase	(2)
Total consideration	**200**

Satisfied by:	
- Equity instruments (5,524,862 ordinary shares of 1Spatial plc)	200
Total consideration transferred	**200**

15. Earnings/(loss) per ordinary share

Basic (loss)/profit per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017 £'000	2016 £'000
(Loss)/profit attributable to equity shareholders of the Parent	**(18,423)**	**12**
Less (loss)/profit from discontinued operations	**(3,542)**	**630**
Loss from continuing operations	**(14,881)**	**(618)**
Adjustments:		
Profit attributable to non-controlling interest	121	-
Income tax credit	(988)	(503)
Net finance cost	32	27
Share of net loss of associates accounted for using the equity method	266	421
Depreciation	452	362
Amortisation and impairment of intangible assets	11,408	1,156
Share-based payment charge	566	976
Integration, strategic and one-off costs	2,617	1,081
Adjusted EBITDA from continuing operations	**(407)**	**2,902**

	2017 Number 000s	2016 Number 000s
Basic weighted average number of ordinary shares	728,895	691,283
Impact of share options and warrants	-	3,593
Diluted weighted average number of ordinary shares	**728,895**	**694,876**

	2017 Pence	2016 Pence
Basic (loss)/earnings per share	**(2.53)**	**0.00**
- from continuing operations	(2.04)	(0.09)
- from discontinued operations	(0.49)	0.09
Diluted (loss)/earnings per share	**(2.53)**	**0.00**
- from continuing operations	(2.04)	(0.09)
- from discontinued operations	(0.49)	0.09
Basic adjusted EBITDA per share	**(0.54)**	**0.53**
- from continuing operations	(0.06)	0.42
- from discontinued operations	(0.49)	0.11
Diluted adjusted EBITDA per share	**(0.54)**	**0.53**
- from continuing operations	(0.06)	0.42
- from discontinued operations	(0.49)	0.11

Where there is a loss per share, the share options and share warrants are not dilutive and hence the diluted earnings per share is the same as the basic.

16. Availability of annual report and financial statements

Copies of the Company's full annual report and financial statements are expected to be posted to shareholders in due course and, once posted, will also be made available to download from the Company's website at www.1Spatial.com.

The annual report and financial statements will also be made available for inspection at the Company's registered office during normal business hours on any weekday. 1Spatial plc is registered in England and Wales with registered number 5429800. The registered office is c/o Capita Company Secretarial Services Limited, First Floor, 40 Dukes Place, London EC3A 7NH.