IQGeo Group plc

(the "Company" or the "Group")

Interim results for the six months ended 30 June 2020

Continued success in orders and revenue growth

IQGeo Group plc (AIM: IQG), a market leading provider of geospatial productivity and collaboration software for the telecoms and utility network operators, is pleased to announce its interim results for the six months ended 30 June 2020.

IQGeo (myWorld) operational highlights:

- Continued success of subscription model with over 90% of orders taken as multi-year subscriptions
- Continued addition of new customers with three new logos secured in H1
- Successful expansion of 2019 logos with two significant follow-on orders taken in 2020
- Effective cost controls to preserve cash balance and to preserve organisational skill set

Group financial highlights:

- Order bookings related to IQGeo products increased by over 120% to £5.5 million (H1 2019: £2.5 million)
- Total revenue from IQGeo products increased by over 50% to £3.6 million (H1 2019: £2.4 million)
- Recurring IQGeo product revenue increased by over 170% to £1.6 million (H1 2019: £0.6 million)
- Gross margin % increased to 51% (H1 2019: 34%)
- Net cash balance of £11.2 million as at 30 June 2020 (31 December 2019: £13.1 million, 30 June 2019: £26.0 million).

Outlook:

- Our customer's end markets have remained resilient during the pandemic as work from home policies encourage consumption of broadband, 5G and utilities.
- Annual Contracted Value including M&S is £2.9 million (H1 2019: £1.6 million, 2019: £2.0 million) reflecting the company's success in converting its business model to a subscription basis.
- Expect continued progress in H2 thanks to continued focus on digital marketing and lead generation strategy alongside our customers' investment in network infrastructure and productivity enhancing initiatives.
- Full year cash outflow will show material improvements compared to 2019 as the base of subscription revenues grow and organisational costs remain under control.
- Increasing emphasis on cloud deployment capabilities will further differentiate IQGeo's offering and expand its addressable market.

Richard Petti, Chief Executive Officer, said:

"I am pleased that we have executed our strategy well in the first six months of the year with continued good momentum in the second half. Despite the Covid-19 related market downturn we were able to increase our bookings and revenue thanks largely to our subscription model which scales the number of paid seats as customers find their own use cases. Additionally, we have seen subscription orders signed in the second half of 2019 converting to revenue in 2020 supporting significantly improved gross margins and reduced cash outflow.

By successfully scaling our digital presence and lead generation activity, targeted at senior decision makers working at home with engaging content, we have increased the number of sales leads to pursue as we head into the second half of the year and 2021. Our target customers have remained resilient through the pandemic and their investment plans in networks (broadband, 5G, electricity and gas) and workflow productivity have remained substantially unaltered during the downturn - in fact in certain areas investments are increasing.

Our product roadmap continues its high rate of innovation which will now feature more cloud deployment capabilities aligned with our subscription model, allowing for faster deployments and better scalability, enabling IQGeo's software to reach thousands of potential users at each customer. We remain confident in the business opportunities and prospects for the remainder of the year."

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Notes to Editors

About IQGeo

IQGeo™ (AIM: IQG) a leading developer of geospatial software that improves productivity and collaboration across enterprise planning, design, construction, maintenance and sales processes for telecoms and utility network operators. Our mobile-first enterprise solutions create and maintain, an accurate view of complex network assets that is easily accessible by anyone, wherever and whenever needed. Specialized applications combined with our open IQGeo Platform help network operators create a single source of network truth to meet their digital transformation ambitions and operational KPIs. Our award-winning, cloud-enabled solutions save time and money, and improve safety and productivity, while enhancing customer satisfaction. Headquartered in Cambridge, with offices in Denver, Frankfurt and Tokyo, we work with some of the largest network infrastructure operators in the world. For more information visit: https://www.iqgeo.com/

Chief Executive Officer’s statement

Overview

Our trading has been good throughout the first six months of the year as we saw our bookings increase by 120% to £5.5m. One part of the increase comes from our continued success in securing new logos where we have seen additional customers added in all three of our key markets (North America, Europe and Japan) including a Fortune 500 North American Energy company. The second driver of the increase comes from our success in signing new logos in 2019. We have consistently proven that our customers will frequently add more users in their second and third years of usage than they did in the original installation and so it has proven to be the case in 2020. Significant extensions to existing contracts with two customers have resulted from successful deployments of our core offerings thanks to a combination of a great user experience and compelling business cases (ROIs). Additionally, we have seen a customer signed in the latter part of 2019 come online and their subscription fees have contributed to an increase in revenue from IQGeo products by over 50% to £3.6 million. This has had a beneficial effect on gross margins which now exceeds 50% for the first half up from 34% in H1 2019.

The pandemic has shifted our target buyer’s work behaviors by noticeably increasing the amount of work from home. While this has decelerated some aspects of decision-making, we have leveraged the increase in online time by scaling both our digital content and our lead generation campaigning which has resulted in an increase in traction with our target buyers as measured by site visits, content engagement, webinars and ultimately qualified leads. This has allowed us to scale our prospecting activities which in previous years would have involved more in-person meetings or conference attendance which is both slower and more costly than digital lead generation.

Our core markets of telecoms and utilities have proven to be resilient throughout the pandemic. Telecoms network operators in particular have seen consistent demand for broadband services where increased use of videoconferencing platforms like Zoom and Teams has increased the need for consumer high bandwidth fixed line services or, as an alternative, 5G connectivity which is increasingly being viewed as an alternative to fiber to the home connections. Utilities have seen a more mixed picture with downturns in their commercial business as factories and production plants remained closed while retail customers have changed their consumption patterns due to increased work from home. As a result of these demand patterns both telecoms and utility network operators have not substantially altered their investment plans either in the networks themselves or in the tools supporting them. Moreover, remote working has highlighted the dangers of older legacy geospatial architectures. These legacy systems cannot efficiently be accessed remotely, emphasizing the benefits of IQGeo’s mobile-first and cloud-first architecture that is easily accessed on normal web browsers or mobile devices.

Strategic Priorities

As we head into the second half of the year and the first half of 2021 our priorities will be:

1. **Order growth**: Maintaining the high level of growth in new logos and expansion orders across our key markets of North America, Europe and Japan.
2. **Subscription model**: Maintaining the high percentage of new orders being secured as long-term subscriptions driven by customer’s new use cases and increased user base.
3. **Cloud capabilities**: Developing and enhancing our market-leading cloud capabilities to further support large-scale deployment on optimised infrastructures.
4. **Increased channel influence**: Building on the success of our Japanese channel model we will be expanding our strategic partnerships with selected partners in Europe and North America.
5. **Quality of earnings**: By growing our recurring subscription revenue, scaling through partners and sensible organisational growth we aim to continue growing gross margins and reduce cash outflows in line with our long-term planning.

Chief Executive Officer’s statement continued

Board changes

As was announced in the 2019 year end results, Tim Gingell stepped down from the board as Chief Financial Officer at the AGM in June, and will leave the Company shortly following a handover to the incoming CFO, Haywood Chapman. I am very grateful for the transformative work that Tim achieved and wish him well for the future. Haywood joins the board with great experience of building businesses and delivering increased shareholder value which I’m sure he will repeat at IQGeo.

Current trading and outlook

For the remainder of 2020 we expect software subscription orders to continue their positive growth trend. The 2020 full year results are expected to see continued improvement in subscription orders generating increases in revenue and gross margins over 2019 and materially reduced operating cash outflow. As we move into 2021, operating cashflow is expected to continue to improve, with good sales momentum building our base of subscription revenues in relation to operating costs.

Richard Petti
Chief Executive Officer

Financial Review

The Group is focused on growing IQGeo product revenues which include generating recurring revenues from software subscription products, selling perpetual software licences and the associated maintenance and support contracts, and delivering consultancy services revenues. Additionally, the Group has a legacy operation that provides lower margin consultancy services connected to third party products which have declined in the current period (less than previous expectations) and are expected to decline in future periods.

The commercial model continues to focus on increasing Annual Contracted Value ("ACV") through subscription-based software sales and maintaining long-term relationships with customers, creating recurring revenue growth and achieving sustained profitability.

The Group has continued to increase ACV won during H1 2020 with 90% of products being licenced on a subscription basis. As at 30 June 2020 the Group's total ACV, which includes maintenance of support of perpetual licences, was £2.9 million (31 December 2019: £2.0 million, 30 June 2019: £1.6 million).

Orders

Bookings of orders related to IQGeo products increased by over 120% to £5.5 million during H1 2020 (H1 2019: £2.5 million).

Bookings of orders related to third-party Geospatial Services were £0.5 million (H1: 2019: £Nil million).

IQGeo product order backlog as at 30 June 2020 was £5.8 million (H1 2019: £1.7 million). Third-party Geospatial Services order backlog was £1.0 million (H1: 2019: £0.9 million).

Revenue

Revenue composition by revenue stream is summarised in the table below:

Revenue by stream	**H1 2020 £'000**	**% of total revenue**	**H1 2019 £'000**	**% of total revenue**	**Year on year growth**
Subscription	976	20%	-	-	N/A
Maintenance and support	649	14%	589	16%	10%
Recurring IQGeo product revenue	**1,625**	**34%**	**589**	**16%**	**176%**
Software	122	3%	737	20%	(83)%
Services	1,847	39%	1,027	29%	80%
Non-recurring IQGeo product revenue	**1,969**	**42%**	**1,764**	**49%**	**12%**
Total IQGeo product revenue	**3,594**	**76%**	**2,353**	**65%**	**53%**
Geospatial services from third party products	1,128	24%	1,292	35%	(13)%
Total revenue	**4,722**	**100%**	**3,645**	**100%**	**30%**

2019's subscription sales success has translated into increased recurring revenues for IQGeo's products in the first half of 2020. Combining subscription and maintenance and support revenues, IQGeo's product recurring revenue has grown to £1.6 million reflecting 176% growth when compared to the same period of 2019. IQGeo's strategy of focusing on growth of ACV through additional subscription sales together with an increased focus on renewal of the existing subscriptions and maintenance streams will ensure continued growth of its recurring revenue base providing greater predictability of income in future periods and ultimately delivery of sustainable profitability.

As the number of new deployments and expansion orders continue to increase, the associated service revenues have also grown with a good backlog of further work to be recognised in future periods.

Financial Review continued

Gross profit

Geospatial gross profit	H1 2020 £'000	Gross margin %	H1 2019 £'000	Gross margin %	Gross margin mvt
Gross profit/gross profit margin	2,422	51%	1,226	34%	17%

Gross margin percentage has increased by 17% compared with the prior period. This increase is a result of the revenue mix moving towards higher margin IQGeo product revenues. Improved services margins have been achieved through the delivery of internal efficiencies driving higher staff utilisation on billable projects, as well as tight cost management including some temporary cost reduction measures.

Operating expenses and adjusted EBITDA from continuing operations

Operating expenses were £4.1 million (H1 2019: £4.4 million) and are summarised as follows:

	H1 2020 £'000	H1 2019 £'000
Other operating expenses	3,631	4,022
Depreciation	223	139
Amortisation and impairment	472	406
Share option expense	20	6
Unrealised foreign exchange on intercompany trading balances	(282)	(151)
Total operating expense	4,064	4,422

Other operating expenses of the Group include sales, product development, marketing, and administration costs.

On 1 April 2020 Group implemented a number of temporary cost reduction measures including a 20% base salary reduction for higher paid staff and the board as a result of COVID-19, which were subsequently relaxed on 1 July 2020. Additionally, there has been a significant reduction in travel and marketing expenditure as an unavoidable consequence of the pandemic. While these short-term measures have reduced costs during the first half of 2020, the Group anticipates expenditure to increase again to support the growth of the business.

Adjusted EBITDA from continuing operations excludes amortisation and impairment, depreciation, share option expense, foreign exchange gains/losses on intercompany trading balances and non-recurring items and is reported as it reflects the performance of the Group. Adjusted EBITDA for the period was a £1.2 million loss (H1 2019: £2.8 million loss).

The operating loss for the period from continuing operations was £1.6 million (H1 2019: £3.2 million loss).

EPS and dividends

Adjusted diluted loss per share from continuing operations was 4.0 pence (H1 2019: 4.6 pence). Reported basic and diluted loss per share from continuing operations was 3.5 pence (H1 2019: 4.4 pence).

Consolidated statement of financial position and cash flow.

Cash as at 30 June 2020 was £11.9 million (31 December 2019: £13.1 million, 30 June 2019: £26.0 million).

Materially reduced net cash outflow from operating activities was £1.1 million (H1 2019: £3.6 million).

Cash net of debt as at 30 June 2020 was £11.2 million (31 December 2019: £13.1m, 30 June 2019: £26.0m).

Recognising the importance of cash management and that the US operations are not cash generative yet, the US subsidiary participated in the USA CARES Act's "Paycheck Protection Program" taking on a loan of USD 819,000 with HSBC Bank USA at an interest rate of 1%. No adjustment has been included for any potential loan write-off that may be applicable at a future point in time.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's performance, and the factors which mitigate these risks, have not significantly changed from those set out on pages 28 to 31 of the Group's Annual Report for 2019 (a copy of which is available from our website www.iqgeo.com).

Consolidated income statement

for the six months ended 30 June 2020

	Notes	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
Revenue	4	**4,722**	3,645	7,806
Cost of revenues		**(2,300)**	(2,419)	(4,563)
Gross profit		**2,422**	1,226	3,243
Operating expenses		**(4,064)**	(4,422)	(9,539)
Operating loss		**(1,642)**	(3,196)	(6,296)
Analysed as:				
Gross profit		**2,422**	1,226	3,243
Other operating expenses		**(3,631)**	(4,022)	(8,091)
Adjusted EBITDA		**(1,209)**	(2,796)	(4,848)
Depreciation		**(223)**	(139)	(285)
Amortisation and impairment of other intangible assets		**(472)**	(406)	(815)
Share option expense		**(20)**	(6)	(102)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**282**	151	(110)
Non-recurring items		**-**	-	(136)
Operating loss		**(1,642)**	(3,196)	(6,296)
Net finance income/(costs)		**(42)**	35	62
Loss before tax		**(1,684)**	(3,161)	(6,234)
Income tax		**(48)**	(32)	64
Loss from continuing operations		**(1,732)**	(3,193)	(6,170)
Profit from discontinued operations		**-**	329	403
Loss for the year		**(1,732)**	(2,864)	(5,767)

Loss per share - continuing operations			
Basic and diluted	**(3.5p)**	(4.4p)	(9.4p)

Consolidated statement of comprehensive income

for the six months ended 30 June 2020

	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
Loss from continued operations	**(1,732)**	(3,193)	(6,170)
Profit from discontinued operations	**-**	329	403
Loss for the year	**(1,732)**	(2,864)	(5,767)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss			
Exchange difference on retranslation of net assets and results of overseas subsidiaries from continuing operations	**(109)**	(128)	5
Items that will not be reclassified to profit and loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	**(1,800)**	-	-
Total comprehensive loss for the year	**(3,641)**	(2,992)	(5,762)

Consolidated statement of changes in equity

for the six months ended 30 June 2020

	Attributable to equity shareholders of the parent company						
	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	1,462	46,375	717	-	(1,871)	(14,411)	32,272
Loss for the period	-	-	-	-	-	(2,864)	(2,864)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	(128)	-	(128)
Total comprehensive loss for the period	-	-	-	-	(128)	(2,864)	(2,992)
Reserve debit for equity-settled share-based payment	-		(116)	-	-	-	(116)
Exercise of share options	4	26	(6)	-		6	30
Lapse of share options	-	-	(57)	-	-	57	-
Transactions with owners	4	26	(179)	-	-	63	(86)
Balance at 30 June 2019 (unaudited)	1,466	46,401	538	-	(1,999)	(17,212)	29,194
Loss for the period	-	-	-	-	-	(2,903)	(2,903)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	133	-	133
Total comprehensive loss for the year	-	-	-	-	133	(2,903)	(2,770)
Capital reduction	-	(28,948)	-	-	-	28,948	-
Repurchase and cancellation of shares	(476)	-	-	476	-	(10,950)	(10,950)
Exercise of share options	-	1	-	-	-	-	1
Lapse of share options	-	-	(3)	-	-	3	-
Reserve debit for equity-settled share-based payment	-	-	97	-	-	-	97
Transactions with owners	(476)	(28,947)	94	476	-	18,001	(10,852)
Balance at 31 December 2019	990	17,454	632	476	(1,866)	(2,114)	15,572
Loss for the period	-	-	-	-	-	(1,732)	(1,732)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	(109)	-	(109)
Other comprehensive losses	-	-	-	-	-	(1,800)	(1,800)
Total comprehensive loss for the period	-	-	-	-	(109)	(3,532)	(3,641)
Exercise of share options	2	10	(3)	-	-	3	12
Lapse of share options	-	-	(567)	-	-	567	-
Reserve debit for equity-settled share-based payment	-	-	20	-	-	-	20
Transactions with owners	2	10	(550)	-	-	570	32
Balance at 30 June 2020 (unaudited)	992	17,464	82	476	(1,975)	(5,076)	11,963

Consolidated statement of financial position

for the six months ended 30 June 2020

	Notes	At 30 June 2020 unaudited £'000	At 30 June 2019 unaudited £'000	At 31 December 2019 audited £'000
Assets				
Intangible assets	6	**1,772**	1,329	1,596
Property, plant, and equipment		**197**	107	86
Right of use assets	7	**1,771**	191	73
Investments	8	**200**	2,000	2,000
Total non-current assets		**3,940**	3,627	3,755
Current assets				
Trade and other receivables		**2,431**	2,857	2,353
Corporation tax receivable		**14**	-	16
Cash and cash equivalents		**11,874**	26,035	13,053
Total current assets		**14,319**	28,892	15,422
Total assets		**18,259**	32,519	19,177
Liabilities				
Current liabilities				
Trade and other payables		**(3,392)**	(2,709)	(3,241)
Current tax liabilities		**-**	(184)	-
Lease obligation	7	**(103)**	(196)	(79)
Bank loans	9	**(332)**	-	-
Total current liabilities		**(3,827)**	(3,089)	(3,320)
Non-current liabilities				
Deferred income tax liabilities		**(322)**	(236)	(285)
Lease obligation	7	**(1,814)**	-	-
Bank loans	9	**(333)**	-	-
Total non-current liabilities		**(2,469)**	(236)	(285)
Total liabilities		**(6,296)**	(3,325)	(3,605)
Net assets		**11,963**	29,194	15,572
Equity attributable to owners of the parent company				
Ordinary share capital	10	**992**	1,466	990
Share premium	10	**17,464**	46,401	17,454
Share based payment reserve		**82**	538	632
Capital redemption reserve		**476**	-	476
Translation reserve		**(1,975)**	(1,999)	(1,866)
Retained earnings		**(5,076)**	(17,212)	(2,114)
Equity attributable to shareholders of the Company		**11,963**	29,194	15,572

Consolidated statement of cash flows

for the six months ended 30 June 2020

	Notes	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
Operating activities				
Loss before tax from continuing operations		**(1,684)**	(3,161)	(6,234)
Loss before tax from discontinued operations		**-**	-	161
Loss before tax from operating activities		**(1,684)**	(3,161)	(6,073)
Adjustments for:				
Depreciation		**223**	139	285
Amortisation and impairment		**472**	406	815
Revaluation of intercompany balances		**(282)**	(151)	110
Share-based payment charge		**20**	6	(19)
Finance income		**(7)**	(41)	(72)
Finance costs		**49**	6	10
Operating cash flows before working capital movement		**(1,209)**	(2,796)	(4,944)
Change in receivables		**(78)**	(107)	388
Change in payables		**204**	(612)	(10)
Cash generated from operations before tax		**(1,083)**	(3,515)	(4,566)
Net income taxes paid		**(11)**	(77)	(124)
Net cash flows from operating activities		**(1,094)**	(3,592)	(4,690)
Cash flows from investing activities				
Purchases of property, plant, and equipment		**(143)**	(50)	(56)
Expenditure on intangible assets		**(647)**	(493)	(1,176)
Cash received on sale of the RTLS SmartSpace business unit		**-**	1,060	1,060
Disposal costs in relation to the RTLS SmartSpace business unit		**-**	(1,766)	(1,839)
Interest received		**7**	33	72
Net cash flows from investing activities		**(783)**	(1,216)	(1,939)
Cash flows from financing activities				
Borrowings	9	**662**	**-**	-
Interest paid		**(1)**	**-**	(2)
Payment of lease liability		**(78)**	(117)	(238)
Repurchase of ordinary share capital		**-**	-	(10,950)
Proceeds from the issue of ordinary share capital		**13**	30	31
Net cash flows from financing activities		**596**	(87)	(11,159)
Net decrease in cash and cash equivalents		**(1,281)**	(4,895)	(17,788)
Cash and cash equivalents at start of period		**13,053**	30,915	30,915
Exchange differences on cash and cash equivalents		**102**	15	(74)
Cash and cash equivalents at end of period		**11,874**	26,035	13,053

Notes to the interim consolidated financial statements

1 General information

IQGeo Group plc ("the Company") and its subsidiaries (together, "the Group") deliver end-to-end geospatial software which improves productivity and collaboration across enterprise planning, design, construction, maintenance and sales processes for telecoms and utility network operators. Our mobile-first enterprise solutions create and maintain, an accurate view of complex network assets that is easily accessible by anyone, wherever and whenever needed.

Specialised applications combined with our open IQGeo Platform help network operators create a single source of network truth to meet their digital transformation ambitions and operational KPIs. Our award-winning, cloud-enabled solutions save time and money, and improve safety and productivity, while enhancing customer satisfaction.

The Company is a public limited company which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange (IQG) and is incorporated and domiciled in the United Kingdom. The address of its registered office is CB1 Business Centre, 20 Station Road, Cambridge CB1 2JD.

The Group has its operations in the UK, USA, Canada, Germany and Japan, and sells its products and services in North America, Japan, the UK and Europe.

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 11 September 2020.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 6 March 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain a material uncertainty related to going concern paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements have been reviewed, not audited.

2 Basis of preparation

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group and are prepared in accordance with IFRSs as adopted by the European Union.

Going concern basis

The Directors have adopted the going concern basis in preparing the financial statements. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant information about the current status of the business operations, including the impact of the global COVID-19 pandemic. The Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future and for at least 12 months following the approval of these accounts. This expectation is arrived at following a review of cash resources, cashflow projections, customer order book, and pipeline of future projects and includes the assessment of COVID-19 on operations.

For the purposes of the preparation of the consolidated financial statements, the Group has applied all standards and interpretations as adopted in the European Union that are effective and applicable for accounting periods beginning on or before 1 January 2020. There are no standards in issue and not yet adopted that will have a material impact on the financial statements.

3 Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are unchanged from those set out in the Group's consolidated financial statements for the year ended 31 December 2019.

Notes to the interim consolidated financial statements continued

4 Segmental information

4.1 Operating segments

Management provides information reported to the Chief Operating Decision Maker (CODM) for the purpose of assessing performance and allocating resources. The CODM is the Chief Executive Officer.

The continuing Geospatial operations are reported to the CODM as a single business unit.

4.2 Revenue by type of the continuing Geospatial operations

The following table presents the different revenue streams of the Geospatial business unit:

	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
Subscription	**976**	-	381
Maintenance and support	**649**	589	1,251
Recurring IQGeo product revenue	**1,625**	589	1,632
Software	**122**	737	1,589
Services	**1,847**	1,027	2,328
Non-recurring IQGeo product revenue	**1,969**	1,764	3,917
Total revenue generated from IQGeo products	**3,594**	2,353	5,549
Geospatial services from third party products	**1,128**	1,292	2,257
Total revenue	**4,722**	3,645	7,806

4.3 Geographical areas of continuing operations

The Board and Management Team also review the revenues on a geographical basis, based around the regions where the Group has its significant subsidiaries or markets.

The Group's revenue from external customers in the Group's domicile, the UK, and its major worldwide markets have been identified on the basis of the customers' geographical location and is presented below:

	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
UK	**179**	17	95
Europe	**102**	73	169
USA	**2,999**	2,711	5,897
Canada	**559**	685	1,164
Japan	**872**	149	461
Rest of World	**11**	10	20
	4,722	3,645	7,806

Notes to the interim consolidated financial statements continued

5 Earnings per share (EPS)

	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
Earnings attributable to Ordinary Shareholders			
Loss from continuing operations	**(1,732)**	(3,193)	(6,170)
Gain /(loss) from discontinued operations	**-**	329	403
Gain /(loss) from continuing and discontinued operations	**(1,732)**	(2,864)	(5,767)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	**49,577**	73,260	65,977
Effect of dilutive potential ordinary shares:			
– Share options ('000)	**540**	72	67
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	**50,117**	73,332	66,044
Continuing operations EPS			
Basic and diluted EPS (pence)	**(3.5)**	(4.4)	(9.4)
Discontinued operations EPS			
Basic and diluted EPS (pence)	**-**	0.4	0.6
Continuing and discontinued operations EPS			
Basic and diluted EPS (pence)	**(3.5)**	(3.9)	(8.7)

Basic earnings per share is calculated by dividing profit/(loss) for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of shares is adjusted to allow for the effects of all dilutive share options and warrants outstanding at the end of the year. Options have no dilutive effect in loss-making years and are therefore not classified as dilutive for Discontinued and Total EPS since their conversion to ordinary shares does not decrease earnings per share or increase loss per share from continuing operations.

The Group also presents an adjusted diluted earnings per share figure which excludes share-based payments charge, unrealised foreign exchange gains/(losses) on intercompany trading balances and non-recurring items from the measurement of profit for the period.

Continuing operations	6 months to 30 June 2020 unaudited £'000	6 months to 30 June 2019 unaudited £'000	12 months to 31 December 2019 audited £'000
Continued earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)	**(1,732)**	(3,193)	(6,170)
Adjustments:			
Reversal of share-based payments charge (£'000)	**20**	6	102
Unrealised foreign exchange gains/(losses) on intercompany trading balances	**(282)**	(151)	110
Reversal of non-recurring items (£'000)	**-**	-	136
Net adjustments (£'000)	**(262)**	(145)	348
Adjusted earnings (£'000)	**(1,994)**	(3,338)	(5,822)
Adjusted diluted EPS from continuing operations (pence)	**(4.0)**	(4.6)	(8.8)

The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance. Options have no dilutive effect in loss-making years.

Notes to the interim consolidated financial statements continued

6 Intangible assets

Net book amount	At 30 June 2020 unaudited £'000	At 30 June 2019 unaudited £'000	At 31 December 2019 audited £'000
Capitalised product development costs	**1,695**	1,244	1,499
Software	**77**	85	97
Total intangible assets	**1,772**	1,329	1,596

7 Right-of-use assets and Lease obligations

On 20 December 2019, the Group entered into a lease running to February 2028 on new premises in Denver as the lease on existing premises ended on 30 April 2020. While the new Denver lease agreement was contracted during 2019, the lease period did not commence until 2020 and the capital asset for the present value of the future payments, and its associated liability, has been recognised during the 2020 period in accordance with IFRS 16.

8 Investments

On 31 December 2018 the Group disposed of its RTLS SmartSpace business unit for a consideration of up to £35.0 million with £30.0 million paid in cash on completion (subject to adjustments for net debt and net working capital) in addition to a £2.0 million roll over investment in Abyssinian Topco Limited. Abyssinian Topco Limited is a UK registered company (company number 11649721) and is the ultimate UK parent company of Ubisense Limited which along with its subsidiary companies, comprise the former RTLS SmartSpace business unit.

Management have assessed the fair value of the investment in Abyssinian Topco Limited and recognised a £1.8 million adjustment to reduce the carrying value of the investment in accordance with IFRS 9. The Group has made the irrevocable election to account for the investment in Abyssinian Topco Limited at fair value through other comprehensive income (FVOCI). In reaching this conclusion, management have considered the impact of the global COVID-19 pandemic on the anticipated customer base of the Ubisense business.

	At 30 June 2020 unaudited £'000	At 30 June 2019 unaudited £'000	At 31 December 2019 audited £'000
Investment in Abyssinian Topco Limited	**200**	2,000	2,000

Additionally, under the terms of the sale agreement of the RTLS SmartSpace business, IQGeo would receive further earn-out consideration of up to £3.0 million subject to the RTLS SmartSpace business unit meeting the following milestones;

- £1.5 million is payable if revenue achieved for the year ended 31 December 2019 is £22.0 million; OR
- £3.0 million is payable if revenue achieved for the year ended 31 December 2019 exceeds £22.9 million.

Management has been advised by the directors of Abyssinian Topco Limited that the milestone has not been met which will be confirmed in the financial statements for the year ended 31 December 2019.

Adjustments to the profit realised on disposal of the RTLS SmartSpace business have been presented as discontinued operations within the comparative periods reported.

9 Bank loans

In April 2020, IQGeo America Inc, a subsidiary of IQGeo Group plc applied for and received a loan of $819,000 under the USA CARES Act's "Paycheck Protection Program" in order to support the USA operations during the uncertainty caused by the impact of the global COVID-19 pandemic. The loan was provided by HSBC Bank USA and will accrue interest at a rate of 1.0% p.a.

Notes to the interim consolidated financial statements continued

10 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Total £'000
Balance at 1 January 2019	73,087,904	1,462	46,375	47,837
Issued under share-based payment plans	214,215	4	26	30
Balance at 30 June 2019	73,302,199	1,466	46,401	47,867
Issued under share-based payment plans	5,000	-	1	1
Capital reduction	-	-	(28,948)	(28,948)
Repurchase and cancelation of shares	(23,803,690)	(476)	-	(476)
Balance at 31 December 2019	49,503,429	990	17,454	18,444
Issued under share-based payment plans	90,657	2	10	12
Balance at 30 June 2020	**49,594,086**	**992**	**17,464**	**18,456**

The Company has one class of ordinary shares which carry no right to fixed income.

11 Share options

At 30 June 2020, the Group had the following share-based payment arrangements.

Arrangement	Award date Year	Vests Years	Expires Year	Exercise price £	Currency	Awards outstanding at 1 Jan 2020 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 30 June 2020 Number	Awards exercisable at 30 June 2020 Number
Options	2010	2011 – 13	2020	0.140	GBP	94,957	-	90,657	2,500	1,800	1,800
	2011	2012 – 14	2021	1.050	GBP	28,700	-	-	-	28,700	28,700
	2012	2013 – 15	2022	2.125	GBP	28,000	-	-	-	28,000	28,000
	2013	2014 – 16	2023	2.055	GBP	32,750	-	-	-	32,750	32,750
	2014	2015 – 17	2024	2.250	GBP	10,000	-	-	-	10,000	10,000
	2016	2017 – 19	2026	0.020	GBP	3,350,000	-	-	3,350,000	-	-
	2018	2019 - 21	2028	0.555	GBP	350,000	-	-	-	350,000	233,333
	2020	2020 - 23	2030	0.460	GBP	-	1,971,000	-	-	1,971,000	-
	2020	2020 - 23	2030	0.625	GBP	-	110,000	-	-	110,000	-
	2020	2020 - 23	2030	0.783	USD	-	1,390,000	-	-	1,390,000	-
Total						**3,894,407**	**3,471,000**	**90,657**	**3,352,500**	**3,922,250**	**334,583**
Weighted average exercise price (£)						0.117	0.535	0.14	0.020	0.569	0.924

2016 granted share options

On 14 December 2016, IQGeo Group plc granted 5,600,000 options of two pence each in the Company with an exercise price set at the nominal value. The options vested if the Company's share price exceeds 70 pence for 60 consecutive calendar days between the 2nd and 3rd anniversary of issue and the period of employment continues for over three years. Due to the LTIP performance condition not being reached in the year to 14 December 2019, the share options have not vested. Despite the performance condition not being met during 2019, the Remuneration Committee retained the right to extend the vesting period for another twelve months. The Remuneration Committee did not exercise the right to extend the scheme and replaced this existing LTIP scheme with a new one during 2020.

2020 granted share options

On 15 June 2020, IQGeo Group plc implemented a new long-term incentive share option plan with options granted to Executive Directors and employees of the Group. IQGeo Group plc granted a total of 3,471,000 options of two pence each in the Company with varying exercise prices as set out above. The options vest in portions of one third on the first, second and third anniversaries of grant and have no further performance conditions other than ongoing employment on the date of vesting and of exercise. Awards will be subject to a two-year holding period from vesting point, with participants only permitted to sell shares sufficient to cover the exercise cost and any tax liability within this holding period.

Independent review report to IQGeo Group plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of IQGeo Group plc (the 'company') for the six months ended 30 June 2020 which comprises consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock exchange required that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Use of our report

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
11 September 2020