IQGeo Group plc

(the "Company" or the "Group")

Interim results for the six months ended 30 June 2021

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 industries, is pleased to announce its interim results for the six months ended 30 June 2021.

Operational highlights:

- Substantial progress in all regions with new customer wins and extensions
- Successful integration of the OSPInsight (OSPI) business which was acquired in December 2020 and which now forms our Small and Medium Business (SMB) unit
- Release of mobility solution for OSPI customer base

Group financial highlights:

- Recurring revenue growth of 58% to £2.6 million (H1 2020: £1.6 million) representing 40% of H1 revenue (H1 2020: 34%)
- Annual recurring revenue (ARR) order intake has increased by 88% to £1.5 million (H1 2020: £0.8 million)
- Exit ARR* increased by 131% to £6.6 million (H1 2020: £2.9 million)
- Gross margin increased to 63% (H1 2020: 51%) due to positive changes in sales mix
- Substantially reduced adjusted EBITDA** loss of £0.4 million (H1 2020: £1.2 million) with a reduced loss for the period of £1.0 million (H1 2020: £1.7 million)
- Net cash balance of £12.1 million as at 30 June 2021 (31 December 2020: £10.5 million, 30 June 2020: £11.2 million)

Outlook:

- Exit ARR of £6.6 million provides good visibility of future revenues and cash flows
- Expected continued progress in profitability and operating cash flow as recurring revenues continue to grow

*Exit ARR is defined as the current go forward run rate of annually renewable subscription and M&S agreements

**Adjusted EBITDA excludes amortisation, 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

Richard Petti, Chief Executive Officer, said:
"I am pleased with IQGeo's performance for the first six months of the year. Despite continued business disruption caused by the Covid-19 pandemic, IQGeo performed well against all our key metrics with strong financial performance, product innovation and go-to-market strategies.

The IQGeo technology continues to develop its best-in-class solutions enhanced by significant new software releases and the integration of our award-winning mobile software for the OSPI customer base, which we have successfully started to deploy. Development and demand for our cloud-native capabilities continues to grow as we continue to accelerate our investments in cloud technology. We have also made significant progress in the rollout of our new network "system of record" capabilities, deploying this technology with customers in both North America and EMEA. These system of record capabilities take the IQGeo solution into the heart of the incumbent vendor market, significantly strengthening our competitive positioning.

Direct sales of our software through our enterprise and SMB teams remains strong with particularly encouraging growth from our new SMB unit, delivering an exceptional number of new logos in the first half. We are making steady progress in geographic market expansion having established new channel, technology and integration partners to support our market growth objectives in all our regional markets.

The IQGeo business is on a firm operational and technology foundation and combined with the growth in the underlying markets in which we operate, the directors remain very positive about the outlook for the Group in the second half of the year and beyond."

For further information contact:

IQGeo Group plc +44 1223 606655
Richard Petti
Haywood Chapman

FinnCap Ltd +44 20 7220 0500
Henrik Persson, Seamus Fricker (Corporate Finance)
Tim Redfern, Richard Chambers (ECM)

Notes to Editors

About IQGeo
IQGeo™ (AIM: IQG), delivers award-winning geospatial software solutions to telecommunication and utility network operators around the world ranging from large multinationals to smaller regional providers. The IQGeo software suite improves productivity and collaboration across enterprise planning, design, construction, maintenance, and sales processes reducing costs and operational risks while enhancing customer satisfaction. Our mobile-first, cloud-native software helps companies create and maintain an accurate view of their increasingly complex network assets that is easily accessible by anyone, wherever and whenever needed. Whether using our Enterprise IQGeo Platform or targeted OSPInsight fiber planning and design software, we enable a “System of Action” that breaks down information silos, improves data quality and accelerates decision making. Headquartered in Cambridge, with offices in Denver, Salt Lake City, Frankfurt and Tokyo, we work with some of the largest network infrastructure operators in the world. For more information visit: www.iqgeo.com/

Chief Executive Officer's statement

Overview

IQGeo's primary target markets of telecommunications and utility network operators have remained resilient despite the shift in business priorities and working patterns caused by the Covid-19 pandemic. These industries are providing critical national infrastructure which has been highlighted by a greater demand for nation-wide broadband and utility services as more people work from home in all our key markets. Combine this trend with the rollout of fibre and 5G services and grid modernisation for electrical network operators, we expect to see continued strong demand for IQGeo's end-to-end geospatial software solutions building on the 39 new logos signed in the first half of 2021.

The first six months of 2021 have unfortunately also witnessed a number of catastrophic climate events including wildfires, heat waves, floods and severe storms which have all had a major impact on both telecommunication and utility networks. One key theme that has emerged from our markets in these incidents is the need for greater network resilience. Creating more resilient networks against a backdrop of year-on-year staffing declines demands that operators digitise and automate all aspects of their network lifecycle. Not only must they respond to natural disasters quickly but put systems in place to proactively seek out, mitigate network weaknesses and respond quickly when incidents are reported. These drivers have resulted in significant wins such as the federal Western Area Power Administration in North America and a new win at one of the largest Japanese energy companies in the world, where the IQGeo solution will be used for disaster prevention and response. Unlike many of our competitors, IQGeo's software is optimised for the industries we serve, enabling us to help operators improve the quality and enterprise-wide accessibility of network information in order to build and maintain more resilient networks.

The Covid-19 pandemic has also accelerated an ongoing shift in buying patterns for enterprise software from direct sales engagement to online research and evaluation. We see potential customers spending much more time researching and evaluating software solutions on their own before engaging with salespeople, with some studies pointing to a 100% increase in digital research by clients[1]. This shifting pattern plays to the strengths of IQGeo as an agile, digital organisation. We are constantly measuring and evaluating our own online footprint and working to develop digital sales content and marketing strategies that support online prospects. As a result of this improvement in our online presence, IQGeo have attracted a greater variety of network operators including cities, airports, universities, departments of transport, oil and mining companies aside from the traditional commercial telecommunications and utilities operators.

This trend toward a greater online presence also speaks to IQGeo's Cloud-first product architecture that is helping customers move their software deployments from on-premise to a cloud hosted environment, a trend we have seen increase significantly with our customer deployments compared to that of a year ago. While cautious telecommunications and utility network operators have been slower to move to cloud-based deployments than other industries, we believe that the move to cloud will accelerate in the coming years. There are compelling technical and financial advantages to SaaS based cloud deployments and IQGeo will continue to invest in this area to provide an industry leading solution.

[1] https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-b2b-digital-inflection-point-how-sales-have-changed-during-covid-19

Strategic Priorities

The strategic priorities of the Group remain consistent with those identified within our 2020 Annual report which was published in April 2021. Since then, the Group has achieved continued progress against our strategic objectives in the first half and this positive performance is reflected in our first half results.

- Regional Growth: The Group has added 39 new customer logos during the first six months of the year, with market share being expanded in North America, Europe and Japan. This included new business with notable brands such as Shaw Communications and Western Area Power Administration in North America, Deutsche GigaNetz and Swish fiber in Europe and two tier one utilities companies in Japan.
- Building Recurring Revenues: The combination of new customers and expansion orders from existing customers has added £1.5 million of Annual Recurring Revenues ('ARR') through subscription and M&S arrangements to our exit ARR, which now stands at £6.6 million.
- Product Innovation: IQGeo has continued to grow investment in the IQGeo product stack adding functionality with an increased focus on cloud capabilities for both enterprise and small/medium business clients.

Board changes

In May 2021 IQGeo announced the appointment of Carolyn Rand as a new Non-executive Director to the IQGeo Board. Carolyn is a great addition to the existing Board members and her extensive expertise with enterprise mobile software is a particularly good fit given IQGeo's focus on mobile-first, cloud-native software architecture and business operations. With a strong background in finance and audit Carolyn has taken the role of Chair of the Audit Committee.

Current trading and outlook

Our financial performance remains in-line with Board expectations, and we remain positive about the outlook for our target markets in the telecommunication and utility industries. With major private and public initiatives for electrical grid modernisation and the roll out of fibre and 5G networks, we continue to see significant opportunity in our two industry verticals in all our geographic markets. In addition, the OSPI acquisition at the end of 2020 has expanded our addressable market as we successfully target the high-growth area of regional, private, and governmental fibre network operators.

Richard Petti

Chief Executive Officer

Financial Review

On 21 December 2020 the Group acquired OSPInsight International Inc. ("OSPI") for a total consideration of up to $8.75 million. During the six months to 30th June 2021, the OSPI business has been successfully integrated into IQGeo's operations and the positive results of the acquisition along with the organic growth achieved by IQGeo's pre-existing operations are reflected in the Group KPIs below:

KPIs	H1 2021 £'000	H1 2020 £'000
Total revenue	6,378	4,722
Recurring revenue	2,574	1,625
Recurring revenue %	40%	34%
Exit recurring revenue run rate	6,581	2,850
IQGeo own product orders	6,900	5,500
Gross margin %	63%	51%
Adjusted EBITDA loss	(357)	(1,209)
Loss for the period	(1,041)	(1,732)
Recurring revenue net retention	109%	133%
Cash, net of debt	12,115	11,209

The Group continues to focus on increasing Annual Recurring Revenue ("ARR") through subscription-based software sales and maintaining long-term relationships with customers, creating recurring revenue growth and achieving sustained profitability and cash flows. ARR also includes maintenance and support arrangements from perpetual licence sales.

During the first half of 2021, ARR order intake has increased by 88% to £1.5 million (H1 2020: £0.8 million), the highest ever recurring revenue order intake for a 6 month period for IQGeo. This has been achieved through winning 39 new customer logos combined with expansion sales to existing customers. The Exit ARR of the Group as of 30 June 2021 has increased by 131% to £6.6 million (H1 2020: £2.9 million). Although lower than H1 2020, the recurring revenue net retention rate of 109% was still pleasing. The driver behind the 2020 figure was the large order received from Tokyo Electric and Power Company, an existing customer, in March 2020. In H1 2021, ARR order intake was across 39 new logos as well as current customers.

Orders

Bookings of orders related to IQGeo own products increased by over 25% to £6.9 million during H1 2021 (H1 2020: £5.5 million) with new customers being added in all three of our key markets (North America, Europe and Japan). Bookings of orders related to third-party Geospatial Services were £0.2 million (H1 2020: £0.5 million).

IQGeo product order backlog (orders won, revenue not recognised) as at 30 June 2021 was £9.2 million (H1 2020: £5.8 million) with the growth being due to increased order intake. Third-party Geospatial Services order backlog was £0.6 million (H1 2020: £1.0 million).

Revenue

In addition to recurring revenue described above, revenue is derived from consultancy services on own IP products and also consultancy services connected to third party products. The Group continues to focus its strategy on its core IP products rather than lower margin non-core 3rd party products, this revenue stream will continue to diminish, replaced by higher margin IQGeo products. Revenue composition by revenue stream is summarised in the table below

Revenue by stream	H1 2021 £'000	% of total revenue	H1 2020 £'000	% of total revenue	Year on year growth
Recurring IQGeo product revenue	**2,574**	**40%**	**1,625**	**34%**	**58%**
Perpetual Software	761	12%	122	3%	524%
Services	2,599	41%	1,847	39%	41%
Non-recurring IQGeo product revenue	**3,360**	**53%**	**1,969**	**42%**	**71%**
Total IQGeo product revenue	**5,934**	**93%**	**3,594**	**76%**	**65%**
Geospatial services from third party products	444	7%	1,128	24%	(61)%
Total revenue	**6,378**	**100%**	**4,722**	**100%**	**35%**

Recurring revenues have increased by 58% to £2.6m (H1 2020: £1.6m) as a result of the ARR won during 2020 and the acquired OSPI customer base. ARR won during H1 2021 has had limited impact on revenues for the six months ended 30 June 2021, with the increase in recurring revenues to be realised in future periods. Sales of perpetual software licences will continue to fluctuate in reporting periods as the Group continues to focus on subscription sales and the increase during H1 was due to a single new customer. The increase in deployments and expansion orders has led to a 41% increase in associated service revenues which reflects the growing customer base using IQGeo software. The Group continues to have visibility of services revenues of around six months forward due to the strong backlog of orders won

Gross profit

Gross profit	**H1 2021 £'000**	**Gross margin %**	**H1 2020 £'000**	**Gross margin %**	**Gross margin mvt**
Gross profit/gross margin	4,037	63%	2,422	51%	12%

Gross margin percentage increased by 12% compared with the prior period. High margin recurring product revenues are 40% of total revenues for the six months ended 30 June 2021 (H1 2020: 34%). This shift in product mix has driven the increase in gross margin percentage along with improved services margins.

Operating expenses and adjusted EBITDA

Operating expenses were £5.5 million (H1 2020: £4.1 million) and are summarised as follows:

	H1 2021 £'000	**H1 2020 £'000**
Other operating expenses	4,394	3,631
Depreciation	156	223
Amortisation and impairment	780	472
Share option expense	119	20
Unrealised foreign exchange on intercompany trading balances	55	(282)
Non-recurring items	8	-
Total operating expense	5,512	4,064

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

Other operating costs during the period have increased with the addition of the OSPI acquired business adding £0.8 million of operating costs to the Group. The Covid-19 pandemic has continued to restrict travel and face-to-face sales activities which has resulted in reduced costs. Operating costs are anticipated to increase in the future to drive further revenue growth.

Adjusted EBITDA 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 £0.4 million loss (H1 2020: £1.2 million loss).

The operating loss for the period was £0.9 million (H1 2020: £1.6 million loss).

EPS and dividends

Adjusted diluted loss per share was 2.2 pence (H1 2020: 4.0 pence). Reported basic and diluted loss per share was 1.8 pence (H1 2020: 3.5 pence).

Consolidated statement of financial position and cash flow.

Cash as at 30 June 2021 was £12.1 million (31 December 2020: £11.1 million, 30 June 2020: £11.9 million).

Cash net of debt as at 30 June 2021 was £12.1 million (31 December 2020: £10.5m, 30 June 2020: £11.2m). 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. This loan was forgiven by the US Small Business Administration along with interest accrued in June 2021.

Net cash outflows from operating activities materially reduced to £0.4 million (H1 2020: £1.1 million) partly due to R&D tax credit cash received during the period.

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 32 to 35 of the Group's Annual Report for 2020 (a copy of which is available from our website www.iqgeo.com).

Condensed consolidated income statement
for the six months ended 30 June 2021

	Notes	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Revenue	4	**6,378**	4,722	9,155
Cost of revenues		**(2,341)**	(2,300)	(4,409)
Gross profit		**4,037**	2,422	4,746
Other operating income	5	**592**	-	-
Operating expenses		**(5,512)**	(4,064)	(9,074)
Operating loss		**(883)**	(1,642)	(4,328)
Analysed as:				
Gross profit		**4,037**	2,422	4,746
Other operating expenses		**(4,394)**	(3,631)	(7,241)
Adjusted EBITDA		**(357)**	(1,209)	(2,495)
Depreciation		**(156)**	(223)	(369)
Amortisation and impairment of intangible assets		**(780)**	(472)	(1,002)
Share option expense		**(119)**	(20)	(130)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**(55)**	282	(43)
Non-recurring items	5	**584**	-	(289)
Operating loss		**(883)**	(1,642)	(4,328)
Net finance income/(costs)		**(76)**	(42)	(98)
Loss before tax		**(959)**	(1,684)	(4,426)
Income tax		**(82)**	(48)	315
Loss for the period		**(1,041)**	(1,732)	(4,111)

Loss per share				
Basic and diluted	6	**(1.8p)**	(3.5p)	(8.2p)

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2021

	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Loss for the period	**(1,041)**	(1,732)	(4,111)
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	**16**	(109)	80
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)	500
Total comprehensive loss for the period	**(1,025)**	(3,641)	(3,531)

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2021

	Attributable to equity shareholders of the parent company							
	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Merger relief reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	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)
Reserve debit for equity-settled share-based payment	-	-	20	-	-	-	-	20
Exercise of share options	2	10	(3)	-	-	-	3	12
Lapse of share options	-	-	(567)	-	-	-	567	-
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
Loss for the period	-	-	-	-	-	-	(2,379)	(2,379)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	189	-	189
Other comprehensive income	-	-	-	-	-	-	2,300	2,300
Total comprehensive loss for the period	-	-	-	-	-	189	(79)	110
Issue of shares – fundraise, net of costs	136	5,030	-	-	-	-	-	5,166
Issue of shares - acquisition	18	-	-	-	739	-	-	757
Lapse of share options	-	-	(2)	-	-	-	2	-
Reserve debit for equity-settled share-based payment	-	-	110	-	-	-	-	110
Transactions with owners	154	5,030	108	-	739	-	2	6,033
Balance at 31 December 2020	1,146	22,494	190	476	739	(1,786)	(5,153)	18,106
Loss for the period	-	-	-	-	-	-	(1,041)	(1,041)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	16	-	16
Total comprehensive loss for the period	-	-	-	-	-	16	(1,041)	(1,025)
Lapse of share options	-	-	(9)	-	-	-	9	-
Reserve debit for equity-settled share-based payment	-	-	119	-	-	-	-	119
Transactions with owners	-	-	110	-	-	-	9	119
Balance at 30 June 2021 (unaudited)	1,146	22,494	300	476	739	(1,770)	(6,185)	17,200

Condensed consolidated statement of financial position

for the six months ended 30 June 2021

	Notes	At 30 June 2021 unaudited £'000	At 30 June 2020 unaudited £'000	At 31 December 2020 audited £'000
Assets				
Intangible assets	8	**8,969**	1,772	8,902
Property, plant, and equipment		**167**	197	167
Right of use assets		**1,425**	1,771	1,567
Investments	9	**-**	200	-
Total non-current assets		**10,561**	3,940	10,636
Current assets				
Trade and other receivables		**3,343**	2,431	2,850
Corporation tax receivable		**-**	14	413
Asset held for sale	9	**-**	-	2,500
Cash and cash equivalents		**12,115**	11,874	11,078
Total current assets		**15,458**	14,319	16,841
Total assets		**26,019**	18,259	27,477
Liabilities				
Current liabilities				
Trade and other payables	10	**(6,639)**	(3,392)	(5,828)
Lease obligation		**(235)**	(103)	(208)
Bank loans		**-**	(332)	(167)
Total current liabilities		**(6,874)**	(3,827)	(6,203)
Non-current liabilities				
Deferred income tax liabilities		**(424)**	(322)	(351)
Trade and other payables	10	**-**	-	(746)
Lease obligation		**(1,521)**	(1,814)	(1,638)
Bank loans		**-**	(333)	(433)
Total non-current liabilities		**(1,945)**	(2,469)	(3,168)
Total liabilities		**(8,819)**	(6,296)	(9,371)
Net assets		**17,200**	11,963	18,106
Equity attributable to owners of the parent company				
Ordinary share capital	11	**1,146**	992	1,146
Share premium	11	**22,494**	17,464	22,494
Share based payment reserve		**300**	82	190
Capital redemption reserve		**476**	476	476
Merger relief reserve		**739**	-	739
Translation reserve		**(1,770)**	(1,975)	(1,786)
Retained earnings		**(6,185)**	(5,076)	(5,153)
Equity attributable to shareholders of the Company		**17,200**	11,963	18,106

Condensed consolidated statement of cash flows

for the six months ended 30 June 2021

	Notes	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Loss before tax from operating activities		**(959)**	(1,684)	(4,426)
Adjustments for:				
Depreciation		**156**	223	369
Amortisation and impairment		**780**	472	1,002
Revaluation of intercompany balances		**55**	(282)	43
Forgiveness of bank loan	5	**(592)**	-	-
Share-based payment charge		**119**	20	130
Finance income		**(7)**	(7)	(7)
Finance costs		**83**	49	105
Operating cash flows before working capital movement		**(365)**	(1,209)	(2,784)
Change in receivables		**(493)**	(78)	190
Change in payables		**87**	204	295
Cash generated from operations before tax		**(771)**	(1,083)	(2,299)
Net income taxes received/(paid)		**404**	(11)	(17)
Net cash flows from operating activities		**(367)**	(1,094)	(2,316)
Cash flows from investing activities				
Purchases of property, plant, and equipment		**(37)**	(143)	(165)
Expenditure on intangible assets		**(951)**	(647)	(1,307)
Cash received on sale of the RTLS SmartSpace business unit		**2,500**	-	-
Acquisition of subsidiaries, net of cash acquired		**14**	-	(3,990)
Interest received		**7**	7	7
Net cash flows from investing activities		**1,533**	(783)	(5,455)
Cash flows from financing activities				
Borrowings		**-**	662	662
Interest paid		**-**	(1)	-
Payment of lease liability		**(110)**	(78)	(78)
Proceeds from the issue of ordinary share capital		**-**	13	5,178
Net cash flows from financing activities		**(110)**	596	5,762
Net increase/(decrease) in cash and cash equivalents		**1,056**	(1,281)	(2,009)
Cash and cash equivalents at start of period		**11,078**	13,053	13,053
Exchange differences on cash and cash equivalents		**(19)**	102	34
Cash and cash equivalents at end of period		**12,115**	11,874	11,078

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 Nine Hills Road, Cambridge CB2 1GE.

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 10 September 2021.

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 2020 were approved by the Board of Directors on 22 March 2021 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 international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRS’).

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. 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.

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 2021. 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 2020. However, new contractual arrangements entered into in the first half of the year have necessitated we update and expand on our revenue policy going forward. This change does not impact on revenue recognition for past periods. Our updated policy is as follows:

Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sales of goods and services net of discounts and sales taxes. Revenue is recognised based on the distinct performance obligations under the relevant customer contract as set out below. Where goods and/or services are sold in a bundled transaction or on a subscription basis, the Group allocates the total consideration under the contract to the different individual elements based on actual amounts charged by the Group on a standalone basis.

Notes to the interim consolidated financial statements continued

Software licence

Software is sold under perpetual licence agreements or that of a term licence for a defined period of time. Under these arrangements revenue is recognised when the software is made available to the customer for use, provided that all obligations associated with the sale of the licence have been made fulfilled.

If contracts include performance obligations which result in software being customised or altered, the software cannot be considered distinct from the labour service. Revenue recognition is dependent on the contract terms and assessment of whether the performance obligation is satisfied over time. If the conditions of IFRS15 to recognise revenue over time are not satisfied, revenue is deferred until the software is available for customer use.

Maintenance and support

Maintenance and support is recognised on a straight-line basis over the term of the contract, which is typically one year. Revenue not recognised in the consolidated income statement is classified as deferred revenue on the consolidated statement of financial position.

Subscription services

Subscription services, which may include hosting services, are considered to be a single distinct performance obligation due to the promises stated within the contract. Revenue is recognised evenly over the subscription period as the customer receives the benefits of the subscription services.

Services

Services revenue includes consultancy and training. Services revenue from time and materials contracts is recognised in the period that the services are provided on the basis of time worked at agreed contractual rates and as direct expenses are incurred.

Revenue from fixed price, long-term customer specific contracts is recognised over time following assessment of the stage of completion of each assignment at the period end date compared to the total estimated service to be provided over the entire contract where the outcome can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. An expected loss on a contract is recognised immediately in the consolidated income statement.

Timing of payment

Maintenance and support income and subscription income is invoiced annually in advance at the commencement of the contract period. Other revenue is invoiced based on the contract terms in accordance with performance obligations. Amounts recoverable in contracts (contract assets) relate to our conditional right to consideration for completed performance obligations under the contract prior to invoicing. Deferred income (contract liabilities) relates to amounts invoiced in advance of services performed under the contract.

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

Notes to the interim consolidated financial statements continued

4.2 Revenue by type

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

	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Subscription	**1,672**	976	1,860
Maintenance and support	**902**	649	1,335
Recurring IQGeo product revenue	**2,574**	1,625	3,195
Software	**761**	122	299
Services	**2,599**	1,847	3,846
Non-recurring IQGeo product revenue	**3,360**	1,969	4,145
Total revenue generated from IQGeo products	**5,934**	3,594	7,340
Geospatial services from third party products	**444**	1,128	1,815
Total revenue	**6,378**	4,722	9,155

4.3 Geographical areas

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 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
UK	**119**	179	316
Europe	**83**	102	146
USA	**3,727**	2,999	5,990
Canada	**1,658**	559	1,233
Japan	**642**	872	1,437
Rest of World	**149**	11	33
Total revenue	**6,378**	4,722	9,155

5 Non-recurring items

	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Waiver of loan	**592**	-	-
Acquisition costs	**(8)**	-	(289)
Total non-recurring items	**584**	**-**	(289)

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 accrued interest at a rate of 1.0% p.a. In June 2021, the loan was forgiven by the US Small Business Administration along with interest accrued.

On 21 December 2020 the Group acquired OSPInsight International Inc. Costs have been expensed as they were incurred.

Notes to the interim consolidated financial statements continued

6 Earnings per share (EPS)

	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Earnings attributable to Ordinary Shareholders			
Loss from operations	**(1,041)**	(1,732)	(4,111)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	**57,312**	49,577	50,195
Effect of dilutive potential ordinary shares:			
– Share options ('000)	**2,162**	540	1,002
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	**59,474**	50,117	51,197
EPS			
Basic and diluted EPS (pence)	**(1.8)**	(3.5)	(8.2)

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 EPS since their conversion to ordinary shares does not decrease earnings per share or increase loss per share.

The Group also presents an adjusted diluted earnings per share figure which excludes amortisation and impairment of acquired intangible assets, 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.

	6 months to 30 June 2021 unaudited £'000	6 months to 30 June 2020 unaudited £'000	12 months to 31 December 2020 audited £'000
Earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)	**(1,041)**	(1,732)	(4,111)
Adjustments:			
Amortisation and impairment of acquired intangible assets (£'000)	**193**	-	-
Reversal of share-based payments charge (£'000)	**119**	20	130
Unrealised foreign exchange gains/(losses) on intercompany trading balances	**55**	(282)	43
Reversal of non-recurring items (£'000)	**(584)**	-	289
Net adjustments (£'000)	**(217)**	(262)	462
Adjusted earnings (£'000)	**(1,258)**	(1,994)	(3,649)
Adjusted diluted EPS (pence)	**(2.2)**	(4.0)	(7.3)

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

7 Revenue and profit contribution of OSPI acquisition

OSPInsight acquired on 21 December 2020, contributed revenues of £1.4 million and a net profit of £0.1 million to the Group results of the six months ended 30 June 2021.

8 Intangible assets

Net book amount	At 30 June 2021 unaudited £'000	At 30 June 2020 unaudited £'000	At 31 December 2020 audited £'000
Goodwill	**4,334**	-	4,403
Acquired customer relationships	**1,942**	-	2,072
Acquired software products	**386**	-	470
Acquired brands	**42**	-	56
Capitalised product development	**2,228**	1,695	1,843
Software	**37**	77	58
Total intangible assets	**8,969**	1,772	8,902

9 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.

On 29 December 2020, the Group entered into an agreement to sell its shares in Abyssinian Topco Limited with the sale completing during January 2021 for a consideration of £2.5 million.

10 Trade and other payables

	At 30 June 2021 unaudited £'000	At 30 June 2020 unaudited £'000	At 31 December 2020 audited £'000
Trade and other payables due within 1 year:			
Deferred income	**2,946**	1,260	2,833
Trade payables	**220**	370	74
Trade accruals	**1,664**	1,364	1,741
Other taxation and social security	**281**	383	430
Deferred acquisition consideration	**755**	-	746
Contingent acquisition consideration	**755**	-	-
Other payables	**18**	15	4
Trade and other payables due within 1 year	**6,639**	3,392	5,828
Trade and other payables due after 1 year:			
Contingent acquisition consideration	**-**	-	746
Trade and other payables due after 1 year	**-**	-	746
Total trade and other payables	**6,639**	3,392	6,574

On 21 December 2020 the Group acquired 100% of the equity instruments of OSPInsight International Inc. ("OSPI"), a business based in Utah, USA, thereby obtaining control. The deferred acquisition consideration associated with the acquisition will be satisfied by cash payment of $538,000 with the balance settled through issue of shares in IQGeo Group plc with the deferred consideration fully settled on 21 December 2021.

The purchase agreement included an additional consideration of up to $1.1 million subject to achievement of defined levels of recurring revenue during the year ended 31 December 2021. Management anticipate this earn out will be settled in full with amounts payable in January 2022.

Notes to the interim consolidated financial statements continued

11 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Total £'000
Balance at 1 January 2020	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
Issued on placing to institutional investors	6,794,872	136	5,030	-	5,166
Issued as part consideration for acquisition	923,294	18	-	739	757
Balance at 31 December 2020 and 30 June 2021	**57,312,252**	**1,146**	**22,494**	**739**	**24,379**

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

12 Share options

At 30 June 2021, 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 2021 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 30 June 2021 Number	Awards exercisable at 30 June 2021 Number
Options	2011	2012 – 14	2021	1.050	GBP	24,200	-	-	11,200	13,000	13,000
	2012	2013 – 15	2022	2.125	GBP	24,000	-	-	7,000	17,000	17,000
	2013	2014 – 16	2023	2.055	GBP	32,750	-	-	5,500	27,250	27,250
	2014	2015 – 17	2024	2.250	GBP	10,000	-	-	5,000	5,000	5,000
	2018	2019 - 21	2028	0.555	GBP	350,000	-	-	-	350,000	350,000
	2020	2020 - 23	2030	0.460	GBP	1,971,000	-	-	5,000	1,966,000	655,333
	2020	2020 - 23	2030	0.625	GBP	110,000	-	-	-	110,000	36,666
	2020	2020 - 23	2030	0.783	USD	1,390,000	-	-	120,000	1,270,000	423,333
	2020	2020 - 23	2030	0.675	GBP	500,000	-	-	-	500,000	166,666
Total						**4,411,950**	**-**	**-**	**153,700**	**4,258,250**	**1,694,248**
Weighted average exercise price (£)						0.562	-	-	0.789	0.554	0.587

2020 granted share options

During 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 3,971,000 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 consolidated condensed set of financial statements in the half-yearly financial report of IQGeo Group plc (the ‘company’) for the six months ended 30 June 2021 which comprise the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and related 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 information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in the notes, the annual financial statements of the company are prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006. 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'.

Our responsibility

Our responsibility is to express a conclusion to the company on the consolidated 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.

The impact of uncertainties arising from the UK exiting the European Union on our review

Our review of the condensed set of financial statements in the half-yearly financial report requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. Such reviews assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company’s future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company’s future prospects and performance. However, no review of interim financial information should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

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 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 September 2021