IQGeo Group plc

(the "Company" or the "Group")

Interim results for the six months ended 30 June 2019

Significant progress against strategic priorities

IQGeo Group plc (AIM: IQG), a market leading provider of geospatial productivity and collaboration software for the telecommunications and utilities industries, is pleased to announce its interim results for the six months ended 30 June 2019.

IQGeo (myWorld) operational highlights:

- Five new logos signed in the first half including a major North American telecoms operator and our first customers in Europe. A further three logos signed in the second half so far.
- Investment in sales resource delivering client wins across main regions and improved pipeline
- Increased sales momentum from the subscription model following successful introduction at the start of the year
- Investment in product innovation resonating with both new and existing customers with newly launched products; Network Revenue Optimizer, Construction Manager and Operations Manager all generated sales

Group financial highlights:

- Bookings of orders related to myWorld increased by over 100% to £2.5 million during H1 2019
- Total revenue generated from myWorld products increased to 65% (H1 2018: 45%)
- Net cash balance of £26.0 million at 30 June 2019 (31 Dec 2018: £30.9 million) following payment of costs associated with RTLS SmartSpace business disposal but prior to shareholder return of £11.0 million via a Tender Offer completed in September
- Pro-forma net cash balance (taking account of the Tender Offer and costs) of £15.0m as at 30 June 2019

Outlook:

- End market conditions remain favourable as customers focus on digital transformation
- Annual Recurring Revenues including subscription and M&S is currently £1.6m.
- Expect continued strategic progress in the second half: strong growth in myWorld orders, continued pipeline expansion and good growth in subscription orders
- Cash outflow in H2 will be similar to H1. Operating cashflow in 2020 and beyond is expected to significantly improve as continued sales momentum builds on our base of existing subscription revenues

Richard Petti, Chief Executive Officer, said:
"I'm very pleased to report on a first half where we have made significant progress. Our investment in product innovation and sales resource have delivered a more than doubling in bookings for our core myWorld software while we have added five new client logos. These include a top 10 North American telecoms operator and the first new European client from our regional sales office.

Whilst we transition towards a subscription model, we recognise that some customers prefer perpetual licence and are also mindful of the impact that this transition has on our cash flows. We therefore expect to continue blending perpetual licences wins with subscription deals. Our subscription offering is particularly attractive to mid and small sized operators where we are seeing high levels of traction. At the same time the enterprise-grade quality of the software is also driving interest from large scale utilities and telecommunication providers.

We now have 7 customers signed up on a subscription basis generating an Annual Recurring Revenues of £0.4m from a standing start at the beginning of the year

The favourable market conditions reported in the 2018 annual accounts are continuing, driven by the digital transformation of our target markets. Combined with our unique and differentiated product set and refreshed sales infrastructure this is driving an improved pipeline and provides confidence in the business' opportunity and prospects for the future."

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Notes to Editors

About IQGeo
IQGeo™ (AIM: IQG) a leading developer of geospatial software for the telecommunications and utility industries, accelerating productivity and collaboration across enterprise planning, design, construction and maintenance processes. Our reality-centric solutions create and maintain a real-time, accurate view of complex network assets, dramatically improving data quality and currency. IQGeo's open, mobile-first architecture streamlines operational processes using any device, in the office or in the field, enabling greater business collaboration. We help network operators meet their digital transformation ambitions, saving time and money, while improving safety and 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 first six months of trading as IQGeo saw bookings for our core myWorld products increase by more than 100% to £2.5 million. Five new logos were signed, and we expanded our penetration with existing customers through the sale of new products. Having only introduced the subscription model at the start of the year we have seen good progress in accelerating this type of business whilst recognising that some customers continue to prefer perpetual licence deals. Having signed up another three subscription deals since 30 June, we now have 7 customers signed up on a subscription basis that will generate Annual Recurring Revenues of £0.4m.

Pipeline generation for telecommunications and utility industries continues to develop in all our three geographies: North America, Europe and Japan.

Strategy

IQGeo is a rapidly growing, global software business that accelerates productivity and collaboration for our telecommunications and utilities customers. I am pleased to say that in the first half of 2019 we have made tangible steps in our strategy across all areas of our business.

1. **Regional Growth**

   While our traditional strength in North America continues with new signings in the USA and Canada, we have also signed our first new customers in Europe thanks to our investment in a new European sales office.

2. **Transition to Subscription**

   We are making good progress in our transition to a software subscription licensing model whilst at the same time managing the impact this transition has on our cashflow by continuing to offer perpetual licence deals where appropriate. The subscription model enables customers to reduce the upfront investment and build up licence numbers based on demand and usage. For IQGeo it creates long term relationships that will naturally expand with further usage and provides an effective platform to cross-sell additional solutions while generating ongoing revenues. We see this approach being particularly successful among the 'Tier Two' operators in our markets (mid and small size operators) which has become an increasing focus for our sales and marketing activity.

3. **Product Innovation**

   Our continued investment in product development is also beginning to deliver results off the back of the products launched in H1 2019. We have closed business for our new Network Revenue Optimizer, Construction Manager, and Operations Manager. These new products combined with our existing mobile-first myWorld platform and the impending launch of Network Manager, our next generation geospatial solution, are creating a very competitive and comprehensive product line.

Business development

Following the disposal of the RTLS SmartSpace business in 2018, we invested in additional development, sales and support infrastructure to best position IQGeo to capture the market opportunity. This included the recruitment of experienced quota-carrying personnel and software developers.

The business has also changed the way it priced and sold myWorld to encourage more long-term subscriptions and recurring revenue in line with our strategy. We transitioned our pricing schemes to a usage-based model which provide our customers better price points to start using myWorld and better aligns value with increased usage as system integration and user adoption grows.

Our sales activity is led by progress in the North American market having secured several high-profile customers from entrenched competitors and have built a healthy pipeline in both the telecoms and utility markets.

In North America we have successfully signed new business contracts with large regional utilities as well as a significant top 10 telecoms operator with over 18.6 million subscribers for a solution that will be used by both its fixed and wireless business lines.

Chief Executive Officer’s statement continued

In Europe our newly-formed sales team closed their first contracts in the telecoms space, establishing critically important reference customers that will help to accelerate future pipeline growth. Sales in Japan remain satisfactory as we work with our reseller partners to target strategic utility operators.

Product innovation

IQGeo’s product strategy is well differentiated from that of its competitors and is resonating with both existing customers and new opportunities. Unlike other vendors, our solution sits across the entire network lifecycle (from design, to construction, to operationalization and support) and offers an ‘office to field’ solution that replaces multiple disconnected systems.

This approach is proving popular with medium and smaller sized operators who do not have the IT resources or budget to buy and integrate several systems for managing their network. Larger operators also see opportunities for savings and efficiency by targeting systems sitting alongside their GIS (such as construction management) and activating this functionality within myWorld.

Board changes

There were two significant changes to the IQGeo Board of Directors in the first half of 2019. Paul Taylor was confirmed in the role of Non-Executive Chairman and Andy MacLeod has joined the Board as a new Independent Non-Executive Director. A telecommunications expert with an extensive industry pedigree, Andy brings a rich depth of experience in IT technology and operations for fixed line and wireless communications.

Capital reduction and Tender offer

Following the court approved Capital Reduction in July 2019, the Company returned £11.0 million of its cash balance, following the Ubisense sale, to Shareholders in September 2019 pursuant to the published Tender Offer. In establishing the quantum of the Tender Offer, the Board considered the controlled investment strategy required to support the Company's growth ambitions as well as the working capital needs of the business going forward.

Current trading and outlook

The sales momentum generated in the first half has continued into the second. We have already closed an additional three new logos and are continuing to build our annual recurring subscription revenue base which now stands at £0.4m.

Overall for 2019 we expect myWorld orders to grow strongly, offsetting the planned step away from third party business. The second half is expected to see continued improvement in the pipeline and good growth in subscription orders delivering a modest improvement in myWorld revenue over 2018 and a similar level of operating cash outflow to the first half of 2019. As we move into 2020, operating cashflow is expected to improve significantly, as continued sales momentum builds on our base of subscription revenues.

Richard Petti
Chief Executive Officer

Chief Financial Officer's statement

The Group is focused on growing own product myWorld revenues which include generating recurring revenues from both software subscription products, selling perpetual software licences and 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 in line with expectations and may decline in future periods.

Orders

Bookings of orders related to myWorld increased by over 100% to £2.5 million during H1 2019 (H1 2018: £1.2 million) following investment in sales capability across the organisation. As at 30 September 2019, seven new subscription customers across all geographies with Annual Recurring Revenue (ARR) of £0.4m have been signed.

Bookings of orders related to third-party Geospatial Services were minimal (H1: 2018: £3.0m) but a £1m+ order has been received after the period end from an existing customer for additional consultancy services for 2021.

myWorld order backlog as at 30 June 2019 was £1.7 million (H1 2018: £1.5 million). Third-party Geospatial Services order backlog was £0.9 million (H1: 2018: £2.6m).

Revenue

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

Geospatial revenue	H1 2019 £'000	% of total revenue	H1 2018 £'000	% of total revenue	Year on year growth
Software	737	20%	682	12%	8%
Maintenance and support	589	16%	411	7%	43%
Services	1,027	28%	1,456	26%	(29)%
Total revenue generated from myWorld products	2,353	65%	2,549	45%	(8)%
Geospatial services from third party products	1,292	35%	3,150	55%	(59)%
Total revenue	3,645	100%	5,699	100%	(36)%

The commercial model is evolving with a strong focus on building a subscription-based software business and long-term relationships with customers. This approach enables more customers to start with smaller deployments which can then be grown over time. Ultimately this approach will provide greater stability to income and operations in future periods but will have the impact of deferring revenue recognition in the short term. In the first half of 2019 revenue from perpetual software licences grew by 8% with minimal subscription revenues being recognised in the period. Recurring maintenance and support revenues continued to grow to over £0.5m registering 43% growth over the same period in 2018.

Gross profit

Geospatial gross profit	H1 2019 £'000	Gross margin %	H1 2018 £'000	Gross margin %	Gross margin mvt
Gross profit/gross profit margin	1,226	34%	2,469	43%	(9%)

Gross margin percentage has decreased during 2019 by 9%. The change in approach to the subscription-based model has resulted in a short-term decline of revenues generated from myWorld products. While the revenue mix has moved in favour of higher margin software and maintenance and support revenues, the significant reduction in services revenue which has a fixed cost of delivery, has led to an overall decline in the gross margin during the first half of 2019. Increases of recurring subscription and maintenance & support revenues, together with new staff completing their training and offering better utilisation, are expected to drive an improvement to both gross profit and gross margin percentage in future reporting periods.

Chief Financial Officer's statement continued

Operating expenses and adjusted EBITDA from continuing operations

Operating expenses were £4.4 million (H1 2018: £3.0 million) and are summarised as follows:

	H1 2019 £'000	H1 2018 £'000
Other operating expenses	4,022	2,626
Depreciation	139	123
Amortisation and impairment	406	371
Share option expense	6	118
Unrealised foreign exchange on intercompany trading balances	(151)	54
Non-recurring items	-	(247)
Total operating expense	4,422	3,045

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

Sales costs have increased during H1 2019 as a result of headcount being added to develop sales channels in both the North American and European utilities and telecoms markets.

Product development and product marketing costs have increased as the Group focuses on creating the next generation geospatial platform.

The H1 2018 other operating costs reported above include an allocation of the administration and marketing costs of the Group which supported both the Geospatial and discontinued RTLS SmartSpace divisions during 2018. Accordingly, the H1 2018 other operating costs reported above do not reflect a realistic cost base to support the standalone IQGeo business. H1 2019 other operating expenses are based on the IQGeo operating model which includes short-term serviced office leases in Cambridge, Frankfurt and Tokyo together with a subscription-based IT environment which provides the company with a flexible cost base from which to develop with minimal capital expenditure other than product development.

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 £2.8 million loss (H1 2018: £0.2 million).

The operating loss for the period from continuing operations was £3.2 million (H1 2018: £0.6 million).

EPS and dividends

Adjusted diluted loss per share from continuing operations was 4.6 pence (H1 2018: 0.9 pence). Reported basic and diluted loss per share from continuing operations was 4.4 pence (H1 2018: 0.8 pence).

Consolidated statement of financial position and cash flow.

Cash as at 30 June 2019 was £26.0 million (31 December 2018: £30.9m, 30 June 2018: £5.8m).

The net cash outflows from operating activities were £3.6 million (H1 2018: £1.3 million).

Discontinued operations

On 31 December 2018 the Group received a net sum of £27.1 million cash consideration from the sale of the RTLS SmartSpace business, after settlement of all outstanding debt of the Group, including the balance on the HSBC loan of £1.8 million.

During H1 2019, the Group received an additional £1.1 million cash consideration in respect of the sale as a result of the finalisation of the completion accounts. This sum was greater than the £0.8 million asset recognised within the balance sheet as at 31 December 2018, creating a £0.3 million gain on disposal during the H1 2019 period.

Additionally, during H1 2019, £1.8 million of costs associated with the disposal were paid.

Chief Financial Officer's statement continued

Repurchase of share capital

On 2 August 2019, the Company announced a proposed tender offer to repurchase up to a maximum of 28,260,869 of the Company's Ordinary Shares at a price of 46 pence per Ordinary Share.

Following approval of the tender offer by a General Meeting of Shareholders on 22 August 2019, the tender offer completed on 30 August 2019 resulting in the share capital reducing by 23,803,690 and £10,949,697 of surplus funds being returned to shareholders in September 2019.

Following completion of the tender offer and as at 27 September 2019, the issued share capital was 49,498,429 ordinary shares of £0.02 each

Kestrel Partners LLP, represented on the Board by Oliver Scott, is the Company's largest Shareholder, with an interest of 25.98% in the Company's issued share capital prior to the repurchase of shares, fully participated in the Tender Offer. Following the completion of the Tender Offer Kestrel Partners LLP hold 23.58 % of the share capital.

Robert Sansom, a director of IQGeo, fully participated in the Tender Offer and following its completion now holds 7.74 % of the share capital.

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 26 to 29 of the Group's Annual Report for 2018 (a copy of which is available from our website www.iqgeo.com).

Tim Gingell
Chief Financial Officer

Consolidated income statement

for the six months ended 30 June 2019

	Notes	6 months to 30 June 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Revenue	4	**3,645**	5,699	9,979
Cost of revenues		**(2,419)**	(3,230)	(5,599)
Gross profit		**1,226**	2,469	4,380
Operating expenses		**(4,422)**	(3,045)	(5,971)
Operating loss		**(3,196)**	(576)	(1,591)
Analysed as:				
Gross profit		**1,226**	2,469	4,380
Other operating expenses		**(4,022)**	(2,626)	(5,446)
Adjusted EBITDA		**(2,796)**	(157)	(1,066)
Depreciation		**(139)**	(123)	(273)
Amortisation and impairment of other intangible assets		**(406)**	(371)	(774)
Share option expense		**(6)**	(118)	(248)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**151**	(54)	151
Non-recurring items	6	**-**	247	619
Operating loss		**(3,196)**	(576)	(1,591)
Net finance income/(costs)		35	(8)	(13)
Loss before tax		**(3,161)**	(584)	(1,604)
Income tax		**(32)**	(12)	(39)
Loss from continuing operations		**(3,193)**	(596)	(1,643)
Profit/(loss) from discontinued operations	5	**329**	(2,196)	21,485
Profit/(loss) for the year		**(2,864)**	(2,792)	19,842
Loss per share - continuing operations				
Basic and diluted		**(4.4p)**	(0.8p)	(2.2p)

Consolidated statement of comprehensive income

for the six months ended 30 June 2019

	6 months to 30 June 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Loss from continued operations	**(3,193)**	(596)	(1,643)
Profit/(loss) from discontinued operations	**329**	(2,196)	21,485
Profit/(loss) for the year	**(2,864)**	(2,792)	19,842
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	**(128)**	17	(50)
Reclassification to income statement for discontinued operations	**-**	-	216
Total comprehensive profit/(loss) for the year	**(2,992)**	(2,775)	20,008

Consolidated statement of changes in equity
for the six months ended 30 June 2019

	Attributable to equity shareholders of the parent company							
	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Sub-total £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2018	**1,462**	**46,375**	**1,139**	**(2,037)**	**(35,260)**	**11,679**	**434**	**12,113**
Loss for the period	-	-	-	-	(2,792)	(2,792)	-	(2,792)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	17	-	17	-	17
Total comprehensive loss for the period	-	-	-	17	(2,792)	(2,775)	-	(2,775)
Reserve credit for equity-settled share-based payment	-	-	159	-	-	159	-	159
Acquisition of non-controlling interest	-	-	-	-	282	282	(434)	(152)
Transactions with owners	-	-	159	-	282	441	(434)	7
Balance at 30 June 2018 (unaudited)	**1,462**	**46,375**	**1,298**	**(2,020)**	**(37,770)**	**9,345**	**-**	**9,345**
Profit for the period	-	-	-	-	22,634	22,634	-	22,634
Recycled translation reserve	-	-	-	216	-	216	-	216
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	(67)	-	(67)	-	(67)
Total comprehensive profit for the year	-	-	-	149	22,634	22,783	-	22,783
Lapse of share options	-	-	(725)	-	725	-	-	-
Reserve credit for equity-settled share-based payment	-	-	144	-	-	144	-	144
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-
Transactions with owners	-	-	(581)	-	725	144	-	144
Balance at 31 December 2018	**1,462**	**46,375**	**717**	**(1,871)**	**(14,411)**	**32,272**	**-**	**32,272**
Loss for the period	-	-	-	-	(2,864)	(2,864)	-	(2,864)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	(128)	-	(128)	-	(128)
Total comprehensive loss for the period	-	-	-	(128)	(2,864)	(2,992)	-	(2,992)
Issue of new share capital	4	26	(6)	-	6	30	-	30
Lapse of share options	-	-	(57)	-	57	-	-	-
Reserve debit for equity-settled share-based payment	-	-	(116)	-	-	(116)	-	(116)
Transactions with owners	4	26	(179)	-	63	(86)	-	(86)
Balance at 30 June 2019 (unaudited)	**1,466**	**46,401**	**538**	**(1,999)**	**(17,212)**	**29,194**	**-**	**29,194**

Consolidated statement of financial position
for the six months ended 30 June 2019

	Notes	At 30 June 2019 unaudited £'000	At 30 June 2018 unaudited £'000	At 31 December 2018 audited £'000
Assets				
Intangible assets	8	**1,329**	2,812	1,235
Property, plant and equipment		**107**	645	84
Right of use assets		**191**	2,512	304
Investments	9	**2,000**	-	2,000
Total non-current assets		**3,627**	5,969	3,623
Current assets				
Inventories		**-**	1,742	-
Trade and other receivables		**2,857**	7,602	3,586
Cash and cash equivalents		**26,035**	5,788	30,915
Total current assets		**28,892**	15,132	34,501
Total assets		**32,519**	21,101	38,124
Liabilities				
Current liabilities				
Trade and other payables		**(2,709)**	(6,578)	(5,080)
Current tax liabilities		**(184)**	-	(232)
Lease obligation		**(196)**	(817)	(232)
Bank loans		**-**	(750)	-
Total current liabilities		**(3,089)**	(8,145)	(5,544)
Non-current liabilities				
Deferred income tax liabilities		**(236)**	(500)	(231)
Trade and other payables		**-**	(40)	-
Lease obligation		**-**	(1,928)	(77)
Bank loans		**-**	(1,000)	-
Other payables		**-**	(143)	-
Total non-current liabilities		**(236)**	(3,611)	(308)
Total liabilities		**(3,325)**	(11,756)	(5,852)
Net assets		**29,194**	9,345	32,272
Equity attributable to owners of the parent company				
Ordinary share capital	10	**1,466**	1,462	1,462
Share premium	10	**46,401**	46,375	46,375
Share based payment reserve		**538**	1,298	717
Translation reserve		**(1,999)**	(2,020)	(1,871)
Retained earnings		**(17,212)**	(37,770)	(14,411)
Equity attributable to shareholders of the Company		**29,194**	9,345	32,272

Consolidated statement of cash flows

for the six months ended 30 June 2019

	Notes	6 months to 30 June 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Operating activities				
Loss before tax from continuing operations		**(3,161)**	(584)	(1,604)
Loss before tax from discontinued operations		**-**	(2,217)	(824)
Loss before tax from operating activities		**(3,161)**	(2,801)	(2,428)
Adjustments for:				
Depreciation		**139**	605	1,081
Amortisation and impairment		**406**	1,003	2,025
Loss on the disposal of property, plant and equipment		**-**	-	14
Revaluation of intercompany balances		**(151)**	54	(151)
Share-based payment charge		**6**	159	303
Gain on sale of Japan business		**-**	(247)	(619)
Finance income		**(41)**	(6)	(8)
Finance costs		**6**	90	156
Operating cash flows before working capital movement		**(2,796)**	(1,143)	373
Change in inventories		**-**	(283)	198
Change in receivables		**(107)**	2,785	2,012
Change in payables		**(612)**	(2,571)	(2,071)
Cash generated from operations before tax		**(3,515)**	(1,212)	512
Net income taxes received/(paid)		**(77)**	(107)	407
Net cash flows from operating activities		**(3,592)**	(1,319)	919
Cash flows from investing activities				
Purchases of property, plant and equipment		**(50)**	(247)	(316)
Expenditure on intangible assets		**(493)**	(880)	(1,844)
Cash received on sale of the RTLS SmartSpace business unit		**1,060**	-	28,882
Cash in RTLS SmartSpace business unit at disposal		**-**	-	(2,313)
Disposal costs in relation to the RTLS SmartSpace business unit		**(1,766)**	-	(704)
Sale of Japan Geospatial third party services business		**-**	417	569
Interest received		**33**	6	8
Net cash flows from investing activities		**(1,216)**	(704)	24,282
Cash flows from financing activities				
Repayment of borrowings		**-**	(750)	(2,500)
Interest paid		**-**	(59)	(73)
Payment of lease liability		**(117)**	(273)	(743)
Purchase of non-controlling interest		**-**	(152)	(152)
Proceeds from the issue of ordinary share capital		**30**	-	-
Net cash flows from financing activities		**(87)**	(1,234)	(3,468)
Net increase in cash and cash equivalents		**(4,895)**	(3,257)	21,733
Cash and cash equivalents at start of period		**30,915**	9,114	9,114
Exchange differences on cash and cash equivalents		**15**	(69)	68
Cash and cash equivalents at end of period		**26,035**	5,788	30,915

Notes to the interim consolidated financial statements

1 General information

IQGeo Group plc ("the Company") and its subsidiaries (together, "the Group") delivers software solutions that integrate data from any source – geographic, real-time asset, GPS, location, corporate and external cloud-based sources – into a live geospatial common operating picture, empowering all users in the customer's organisation to access, input and analyse operational intelligence to proactively manage their networks, respond quickly to emergency events and effectively manage day-to-day operations.

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

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.

On 31 December 2018 the Group sold its RTLS SmartSpace business unit (presented as discontinued operations within the consolidated income statement). On 2 January 2019, the Company was renamed IQGeo Group plc (formerly Ubisense Group plc).

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 27 September 2019.

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 2018 were approved by the Board of Directors on 10 April 2019 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 Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

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 2019. 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 2018.

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.

The performance of the discontinued RTLS SmartSpace business unit is disclosed within note 5.

Notes to the interim consolidated financial statements continued

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 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Software	**737**	682	1,395
Maintenance and support	**589**	411	918
Services	**1,027**	1,456	2,424
Total revenue generated from myWorld products	**2,353**	2,549	4,737
Geospatial services from third party products	**1,292**	3,150	5,242
Total revenue	**3,645**	5,699	9,979

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 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
UK	**17**	-	-
Germany	**-**	14	14
Europe other	**73**	2	3
USA	**2,711**	3,552	7,041
Canada	**685**	916	1,596
Japan	**149**	1,203	1,302
Rest of World	**10**	12	23
	3,645	5,699	9,979

5 Discontinued operations

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 and further £3.0 million earn-out consideration.

The disposal of the RTLS SmartSpace business followed reorganisation involving the creation of new legal entities within the UK, USA, Canada, Germany and Japan regions. The Group completed a reorganisation whereby the trade and assets of the RTLS SmartSpace and Geospatial business units were separated into different legal entities in each country. The restructured RTLS SmartSpace group of legal entities, headed by Ubisense Limited, was disposed of on 31 December 2018. Central functions such as finance and IT were allocated between the RTLS SmartSpace and Geospatial legal entities so that both divisions could continue trading post disposal. This was supported through a transition services agreement between IQGeo and the discontinued business.

The earn-out consideration of £3.0 million is 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 2018 is £16.4 million. This milestone was not met.
- £1.5 million is payable if revenue achieved for the year ended 31 December 2019 is £22.0 million.

Notes to the interim consolidated financial statements continued

- If the first milestone is not met, the full £3.0 million will be paid if the revenue for the 2019 period meets the 2019 target plus the shortfall of the target of the 2018 period. Accordingly, the full £3.0 million earn-out would be achieved if the 2019 revenue for the RTLS SmartSpace business exceeds £22.9 million.

While the achievement of an additional £3.0 million earn-out cash consideration remains possible, no contingent asset has been recognised within statement of financial position as at 31 December 2018 or 30 June 2019. Management believe that this is appropriate as achievement of the milestones is dependent on the new management team's strategy and performance, over which IQGeo have no influence as a non-controlling shareholder.

The following information is attributable to the RTLS SmartSpace business unit;

Income statement for Discontinued operations

	6 months to 30 June 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Revenue	-	4,630	15,519
Cost of revenues	-	(2,869)	(7,402)
Gross profit	-	1,761	8,117
Operating expenses	-	(3,902)	(8,804)
Operating loss	-	(2,141)	(687)
Analysed as:			
Gross profit	-	1,761	8,117
Other operating expenses	-	(2,747)	(6,204)
Adjusted EBITDA	-	(986)	1,913
Depreciation	-	(482)	(808)
Amortisation and impairment of other intangible assets	-	(632)	(1,251)
Share option expense	-	(41)	(55)
Reorganisation costs	-	-	(486)
Operating loss	-	(2,141)	(687)
Net finance costs	-	(76)	(137)
Loss before tax	-	(2,217)	(824)
Income tax	-	21	(57)
Loss from discontinued operations prior to gain on disposal	-	(2,196)	(881)
Gain on disposal of the RTLS SmartSpace business unit	**329**	-	22,366
Profit/(loss) from discontinued operations	**329**	(2,196)	21,485

6 Non-recurring items

The following item is associated with the sale on 30 March 2018 of the Group's Japan third party geospatial services business including the Geoplan brand name for a gross consideration of JPY 100 million (£0.7 million). This has been credited to the income statement in arriving at a gain before tax.

Alongside this transaction, the 23% non-controlling interest of Geoplan Company Limited was acquired. The acquisition of this non-controlling interest gave the Group 100% ownership of its remaining Japanese operations.

	6 months to 30 June 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Sale of Japan Geospatial third party services business	-	247	619
Total non-recurring items	-	247	619

The sale of the Japan Geospatial third-party services business has not been presented as a discontinued operation because these Geospatial services will be provided to customers based in other regions of the Group's continuing operations. Additionally, the Japan Geospatial operations will continue, albeit solely focused on selling IQGeo products and related services. The sold Geospatial business did not represent a significant part of the global business.

Notes to the interim consolidated financial statements continued

7 Earnings per share (EPS)

	6 months to 30 June 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Earnings attributable to Ordinary Shareholders			
Loss from continuing operations	**(3,193)**	(596)	(1,643)
Gain /(loss) from discontinued operations	**329**	(2,196)	21,485
Gain /(loss) from continuing and discontinued operations	**(2,864)**	(2,792)	19,842
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	**73,260**	73,088	73,088
Effect of dilutive potential ordinary shares:			
– Share options ('000)	**72**	230	257
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	**73,332**	73,318	73,345
Continuing operations EPS			
Basic and diluted EPS (pence)	**(4.4)**	(0.8)	(2.2)
Discontinued operations EPS			
Basic and diluted EPS (pence)	**0.4**	(3.0)	29.4
Continuing and discontinued operations EPS			
Basic and diluted EPS (pence)	**(3.9)**	(3.8)	27.1

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 2019 unaudited £'000	6 months to 30 June 2018 unaudited £'000	12 months to 31 December 2018 audited £'000
Continued earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)	**(3,193)**	(596)	(1,643)
Adjustments:			
Reversal of share-based payments charge (£'000)	**6**	118	248
Unrealised foreign exchange gains/(losses) on intercompany trading balances	**(151)**	54	(151)
Reversal of non-recurring items (£'000)	**-**	(247)	(619)
Net adjustments (£'000)	**(145)**	(75)	(522)
Adjusted earnings (£'000)	**(3,338)**	(671)	(2,165)
Adjusted diluted EPS from continuing operations (pence)	**(4.6)**	(0.9)	(3.0)

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

8 Intangible assets

Net book amount	At 30 June 2019 unaudited £'000	At 30 June 2018 unaudited £'000	At 31 December 2018 audited £'000
Capitalised product development costs	**1,244**	2,628	1,213
Software	**85**	184	22
Total intangible assets	**1,329**	2,812	1,235

9 Investments

At 30 June 2019, the Group holds a rollover investment in Abyssinian Topco Limited as part of the consideration for the sale of the RTLS SmartSpace business unit. Abyssinian Topco Limited is a UK registered company (company number 11649721) and is the parent company of Ubisense Limited which along with its subsidiary companies, comprise the former RTLS SmartSpace business unit.

	At 30 June 2019 unaudited £'000	At 30 June 2018 unaudited £'000	At 31 December 2018 audited £'000
Investment in Abyssinian Topco Limited	**2,000**	-	2,000

10 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Total £'000
Balance at 30 June 2018 and at 31 December 2018	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	**73,302,119**	**1,466**	**46,401**	**47,867**

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

11 Share options

On 14 December 2016 IQGeo Group plc implemented a new long-term incentive share option plan for Executive Directors and key management. 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 vest if the Company's share price exceeds 70p for 60 consecutive calendar days between the 2nd and 3rd anniversary of issue and the period of employment continues for over three years.

On 24 May 2018, 350,000 share options were issued at market value.

At 30 June 2019, the Group had the following share-based payment arrangements.

Arrangement	Award date Year	Vests Years	Expires Year	Exercise price £	Awards outstanding at 1 Jan 2019 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 30 June 2019 Number	Awards exercisable at 30 June 2019 Number
Options	2010	2011 – 13	2020	0.140	320,172	-	214,215	6,000	99,957	99,957
	2011	2012 – 14	2021	1.050	100,200	-	-	71,500	28,700	28,700
	2012	2013 – 15	2022	2.125	70,500	-	-	42,500	28,000	28,000
	2013	2014 – 16	2023	2.055	77,850	-	-	45,100	32,750	32,750
	2014	2015 – 17	2024	2.250	45,000	-	-	30,000	15,000	15,000
	2016	2017 – 19	2026	0.020	5,250,000	-	-	1,900,000	3,350,000	-
	2018	2019 - 21	2028	0.555	350,000	-	-	-	350,000	-
Total					**6,213,722**	**-**	**214,215**	**2,095,100**	**3,904,407**	**204,207**
Weighted average exercise price (£)					0.138	-	0.14	0.174	0.119	1.001

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 2019 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 2019 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
27 September 2019