Accelerate your network operations

IQGeo Group plc Annual Report 2018

IQGeo is a market leading provider of geospatial productivity and collaboration software for the telecommunications and utilities industries.

Our customers include 45 major network operators and partners with a combined global deployment of more than 35,000 users. IQGeo offers a unique end-to-end, mobile geospatial solution that connects complex field operations with business-critical office processes. Our customers depend on IQGeo to deliver digital transformation strategies that enable new technologies, reducing operational and construction costs, while improving services and customer satisfaction.

Major change

On 21 November 2018 Ubisense announced an exciting and significant change to the organisation. The RTLS SmartSpace division and Ubisense brand would be sold and the Geospatial myWorld division would be rebranded IQGeo™. Following the completion of the disposal on 31 December 2018, the new IQGeo branding was formally launched and shares began trading under the name IQGeo Group plc (AIM: IQG). This strategic separation provides both new businesses with the management focus and investment they need to achieve exciting future growth targets.

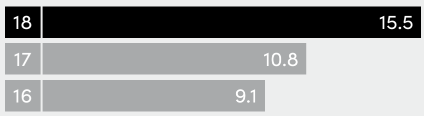
The disposal of the RTLS SmartSpace business

The Group agreed to sell the RTLS SmartSpace business unit and the Ubisense brand to a company that is owned and controlled by funds managed or advised by Investcorp Technology Partners. The terms of the disposal were comprised of £30 million in cash upon completion, £2 million in rollover investment in the sold business and £3 million earn-out tied to 2018 and 2019 revenue performance. The RTLS SmartSpace business unit takes real-time location data from sensing hardware products and transforms this data into high value spatial event information, delivering highly reliable, automatic, adaptive asset identification, precise real-time location and spatial-monitoring to offer meaningful insights that help businesses make smarter decisions.

Discontinued operations

Revenue

£15.5m



Gross margin

52%

Group operations (RTLS SmartSpace & Geospatial)

Total revenue

£25.5m

	Total revenue
18	£25.5m
17	£27.3m
16	£26.5m

Own product revenue

£20.3m

	Own product revenue
18	£20.3m
17	£16.6m
16	£12.9m

Gross margin

49%

	Gross margin
18	49%
17	40%
16	39%

Net cash balance

£30.9m

	Net cash balance
18	£30.9m
17	£6.6m
16	£0.2m

"We have a strong foundation to build on for the new IQGeo with our proven myWorld software, experienced and focused management team and investment capital needed to accelerate the growth of our business."

Richard Petti, Chief Executive Officer, IQGeo

Read more about our products on pages 14-15

Read more about myWorld in action on pages 16-17

Strategic report

Corporate governance

Financial statements

For more information view our website:

www.iqgeo.com

Creating business value

IQGeo accelerates digital transformation, improving productivity and collaboration across enterprise planning, design, construction and maintenance processes. Our mobile geospatial software gives field and office staff access to the right information at the right time. Unlocking data previously hidden away in complex and disconnected systems.

Our vision

We put our customers in control of their business-critical network operations, reducing the cost of field construction and maintenance, increasing customer satisfaction and enabling the delivery of high value services.

Read more on **pages 12–13**

Why customers choose us

Our software and team have the technical and industry experience to assist telecommunications and utility providers with the momentous industry transformation that is underway. Strong customer references with proven return on investment clearly demonstrate why our software solutions generate long-term, recurring revenue for IQGeo.

Read more on **pages 10 and 16**

35,000+

Professionals rely on our mobile geospatial software to accelerate their network operations and deliver strategic business optimisation.

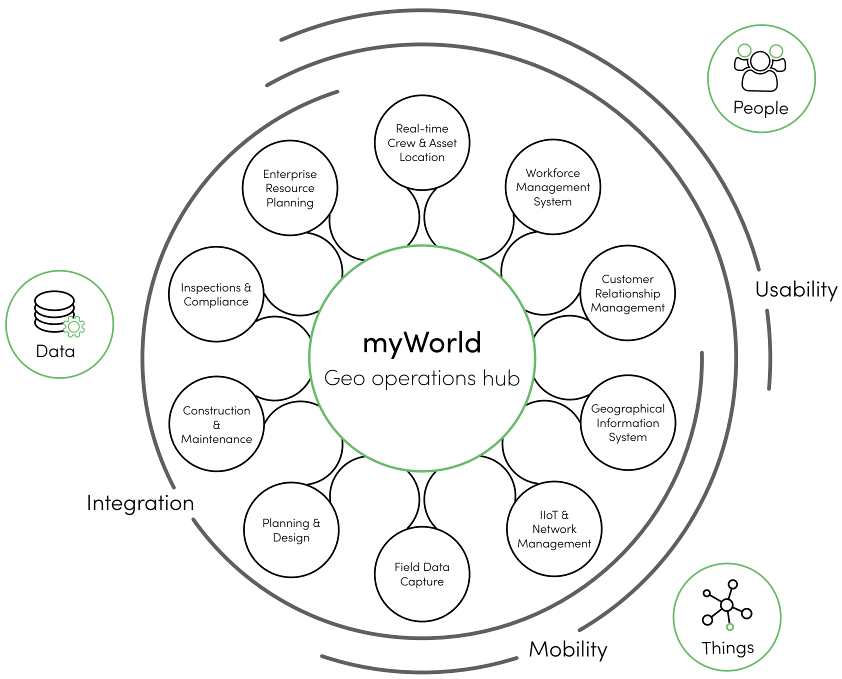
The opportunity

The pressure to rollout new network technology, emerging competitors and business models, alongside increasing regulatory and environmental risks are pushing our customers to further enhance their operational strategies. In order to remain competitive, they must develop digital transformation strategies that reimage network operations. IQGeo is at the forefront of this unprecedented challenge.

Read more on **pages 14–15**

Geo operations hub

Our myWorld software creates a 'geo operations hub' that is unique to the ecosystem of each customer, delivering a trusted view of their complex network infrastructure. This easy-to-use, mobile first technology improves data quality between office and field operations and business-critical applications, reducing operating costs, mitigating risks and supporting execution of strategic business objectives.



Locations

IQGeo's HQ is in Cambridge, UK, and it has regional sales and service offices in North America, Europe and Japan.

3

of the Top 10 North American telecom providers

Our customers include three of the top 10 North American telecom providers.

3

of the Top 10 North American utility providers

Our customers include three of the top 10 North American utility providers.

11

new customers

IQGeo established 11 new telecom and utility customers in 2018.

45

network operators and partners

IQGeo works with network operators and industry partners.

Partner ecosystem

Our partner ecosystem provides a depth of expertise and knowledge in its specialist areas, delivering innovative operational solutions to customers around the world.

www.iqgeo.com/our-partner-ecosystem

A transformational year

Paul Taylor
Chairman

"The business now has a sharper market focus, has strong customer relationships and a rapidly developing market opportunity."

The announced sale of the RTLS SmartSpace business to Investcorp advised funds in November and its completion on 31 December will be transformational. Rebranding the Geospatial business line as IQGeo initiated a sequence of changes for both newly established businesses. The response from the market, our customers and our employees has been overwhelmingly positive, which is a strong endorsement for the underlying financial rationale that drove our decision to split the two businesses.

Since a new executive management team joined the Company in 2016, we have continued to evaluate the strategy, organisation and structure of the continued business. While we are extremely proud of the technological and business success that the Geospatial myWorld and RTLS SmartSpace products have achieved, it became clear that maintaining the right levels of focus on these increasingly different business opportunities was proving challenging. This position made it difficult to provide the level of investment required for each of these two, largely independent, businesses to develop the momentum they needed to achieve the ambitious growth targets established.

Having worked with Ubisense for many years, we are all sad to be saying goodbye to our Ubisense colleagues. They are an excellent group of people that have developed world-class technology used in automotive and industrial manufacturing around the globe. However, we are confident that under the leadership and investment of Investcorp, their technology will be well positioned to realise its full business potential. This report does not focus on the details of the Ubisense trading results, but the products and activities of that business are outlined on their website (www.ubisense.net) and in previous years' annual reports.

For the new IQGeo, this is an exciting change. The freshly branded Company is developing a unique, customer-focused voice to clearly articulate the compelling benefits that the myWorld software brings to the telecommunications and utilities industries. From the perspective of the Board, we are encouraged by the pace of the structural change at IQGeo. The business now has a sharper market focus, has strong customer relationships and a rapidly developing market opportunity. Richard's CEO Statement outlines more details on the future direction and strategy for IQGeo.

Results overview

As the RTLS SmartSpace division was managed throughout the year as part of the combined Group with the disposal being concluded on 31 December 2018, it was felt appropriate that the financial performance is described with reference to the results of the total operations. Whilst this data would be considered in the category of Alternative Performance Measures, it must be recognised that the business was managed on a combined basis for almost the full period, and significant reorganisation was required to create clear legal separation between the two divisions. Where KPIs are outlined, clear separation of combined Group metrics and continuing operations metrics is made.

The combined Group financial results for 2018 were slightly below where we had hoped, in part impacted by the distraction of both managing and then disposing of the RTLS SmartSpace division on 31 December. The combined Group delivered revenue of £25.5 million across the Geospatial myWorld and RTLS SmartSpace businesses. The planned decline in third party geospatial service revenues continued, but was offset by increasing own product revenues of 22% driven by RTLS SmartSpace growth.

For the continuing operations of IQGeo, total revenue reduced primarily due to a £5.4 million expected decline in third party geospatial service revenue, but also due to the delay in closing of certain myWorld contracts. Gross margin percentage improved with the increased balance towards myWorld products, though the gross profit value was reduced impacting overall profitability and creating an operating loss in 2018 having been profitable in 2017. Our closing order book for the IQGeo business amounted to £3.7 million.

Following the completion of the RTLS SmartSpace business unit disposal, the Board intends to return excess funds to Shareholders (subject to complying with all relevant law and regulation in effecting such return which is likely to include a capital reorganisation). Further details of the amount and timing of the return to shareholders will be made in due course.

For the 2018 financial year and 2017 restated comparatives, the RTLS SmartSpace business is reported within the consolidated income statement of IQGeo as discontinued operations. The balance sheet reported is that of the new IQGeo business only, establishing a clear financial baseline going into 2019.

Group strategy

Our focus remains on software revenue growth and the development of a strong recurring revenue base. Greater focus and a strong balance sheet will allow the right level of investments and give our customers confidence that IQGeo can support the growing needs of their business for many years.

To support our growth ambitions, we are embarking on a controlled investment strategy to provide the organisation with additional software engineering, sales and support infrastructure. This is being done in direct response to the myWorld opportunities we are seeing across the telecommunications and utilities industries. Delivering to our ambitions brings with it many challenges but we have never been better positioned to meet these challenges. We can now provide IQGeo with the levels of focus and investment that it needs to realise the market potential of the myWorld products.

Governance

In the middle of 2018 I assumed interim responsibility for Board chairmanship as a result of a personal health issue of our Chairman, Peter Harverson. On 13 February 2019, Peter decided to step down from the Board, at which time I was made full-time Chairman.

This year we reinforced our commitment to a high standard of corporate governance by adopting the QCA Corporate Governance Code into our reporting structure. The Board continually reviews its composition and that of its Committees and feels that, at this stage of the Group's development, the skills and mix of its members best serve our current needs.

Currently this means that I will continue to act as Audit Committee Chair, whilst Oliver Scott assumes chair of the Remuneration Committee. The Board recognises that it must evolve its Committee strategy as it grows in the future.

Future outlook

The disposal of the RTLS SmartSpace business to Investcorp advised funds and the rebranding of the myWorld business to IQGeo creates exciting opportunities. The Board is very pleased that we have been able to negotiate such a positive outcome for both businesses, giving them the focus and investment needed to move forward with confidence. We would like to thank the management team and employees for all their hard work in executing this transaction and for completing the hundreds of large and small tasks required to successfully create the two new independent businesses.

This is a truly transformational change for IQGeo. We have an exciting new brand with a clear market and technology focus and, critically important, we have a strong balance sheet which this business needs. Our customers and prospects have responded with enthusiasm and the market opportunity for myWorld software is stronger now that it has ever been.

Our target markets are facing their own digital transformation journey as they implement new technology such as fibre, 5G and smart meters. myWorld is uniquely positioned to help these companies increase productivity and collaboration, making sense of their complex network environment to enable rapid, informed decision making.

2019 is a fresh start for the new IQGeo and we are well positioned to execute on our ambitious growth objectives.

Paul Taylor
Chairman
10 April 2019

Chief Executive's statement

A software-first strategy

Richard Petti
Chief Executive Officer

"
Our vision for IQGeo is to create a company that provides the most advanced geospatial collaboration and productivity tools for utilities and telecommunications companies in the world."

Dear shareholder,
2018 was an important year for us. Our three-point strategy of refocusing the overall business, improving sales execution and repositioning the product portfolio resulted in another year of increased own product sales, improved margins and more new customer logos to add to our roster.

However, in 2018 we realised that our ability to grow two separate business lines in diverging markets was a stretch on both our resources and balance sheet. Therefore, the decision was taken to focus the business by disposing of the RTLS SmartSpace business line.

Our vision for IQGeo is to create a company that provides the most advanced geospatial collaboration and productivity tools for utilities and telecommunications companies in the world. Our goal for IQGeo is to transform ourselves into a software-first business with high margins and levels of recurring revenue. In the rest of this statement I will explain why I believe that IQGeo will achieve this.

The IQGeo market

While the IQGeo brand is new, our flagship product myWorld is well established. In the eight years that this product has been in existence, it has become recognised as a market leader in geospatial mobile technology for utilities companies and our technology has been licensed to over 35,000 users at over 45 companies worldwide. In North America, our customers include three of the top ten cable/telecommunication companies, and three of the top ten energy companies.

What makes us different?

While many high-tech and e-businesses have come to dominate business headlines, few industries rival the sophistication and complexity of utilities or telecommunications. It is a complex production and distribution chain that can start with a burst of sunshine in Florida and then transforms and delivers that energy to a household that is tens of thousands of miles away. Telecommunications data networks are similarly complex, broadcasting high definition movies on demand to tens of millions of homes and devices simultaneously. By any standards these energy and data networks are technical triumphs. In fact, in telecommunications and utilities we see one of the most sophisticated, integrated and enduring producer-to-consumer relationships in any industry in the world.

These complex producer-to-consumer relationships are underpinned by nationwide technical infrastructures that are being constantly extended, upgraded and in need of constant care. This is essential for consumers to receive the safe and reliable service that they expect – and for producers to protect and grow their market share. This is why analysts are projecting a 60% increase in 5G small cell infrastructure investment between 2018 and 2022, and broadband fibre subscribers are projected to grow by more than 12% CAGR in North America and Eastern Europe and by more than 22% CAGR in Western Europe and Asia between 2015 and 2020[1].

1 Source: S&P Global Market Intelligence.

IQGeo timeline

Nov 2018	Jan 2019	Feb 2019	Mar 2019
Plans announced for the disposal of Ubisense business line	The new IQGeo is launched	IQGeo announces plans for next generation geospatial platform	IQGeo launches new myWorld Construction Manager and myWorld Operations Manager products

Digitisation of utilities and telecommunications

Consumers will be familiar with the transformation digital tools that have delivered benefits in their relationship with their utility and telecommunications providers. Today, typical broadband consumers can log a fault, receive acknowledgement, be given an expected fix time and get hourly updates and final notification of resolution without ever speaking to another human. Similarly, they can order mobile phones, broadband services, electricity, water and gas online and receive a great product at a competitive price. In other words, when companies invest in digitisation, consumers receive a very effective service that has been shown to directly increase customer satisfaction.

What consumers will be less aware of is the amount of digitisation that goes on behind the customer portals. The utilities networks – be they telephony, cable, electricity, gas or water, are highly complex production, storage and distribution networks often combining many decades of different technology and standards. These networks do not stand still for a moment – they are constantly being extended, upgraded, maintained, monitored and, where necessary, fixed by many hundreds of engineers, employees and managers.

In fact, one of our largest customers has over 12,000 employees using myWorld on a daily basis. From a digitisation perspective, the challenge these companies face is tremendous – they are dealing with vast amounts of network information, typically in different formats and often locked deep in legacy systems. Moreover, tens of thousands of users in the office and in the field need to interact with this information every day or face frustrating delays or worse, make mistakes that can compromise their service. It is a tremendous data challenge – and it is precisely where myWorld delivers value.

myWorld geospatial collaboration and productivity

myWorld excels in its ability to bring together disparate and fragmented data in order to create a single, current view of the operator's network. This means bringing together not just accurate location information (geospatial data) but all the correct technical information of that network, down to individual switches, fibres, ports and customer data so that every employee whether in the office, the field or the call centre has the specific information they need to carry out an instruction, make a decision or sell a product.

Telus, one of our largest customers in Canada, has integrated 27 different data sources into myWorld to create a single view of its network assets, which service over 1,000 daily users. This level of geospatial network integration was unthinkable even ten years ago.

Accelerating sales

In order to accelerate sales, we market myWorld as a series of functional packages that are specific to each stage of the network asset lifecycle. For example, our recently launched Construction Manager tool helps companies design network changes, put these into work packages (that include technical design work, customer information, permissions, etc.) and which assign them to engineering teams which receive these packages on mobile devices in the field. Once completed, these same engineers can document any necessary variations they made to the design and certify the job as complete.

"If you were on your way to work and if you knew you didn't have myWorld, you would contemplate calling in sick. I can't remember how we used to display and get to a lot of the problems before myWorld. We have been a customer now for seven to eight years and we've pretty much grown with the product. It has been very well accepted throughout our footprint."

Bill Vincent, ROC Lead Representative, Altice USA

Accelerating sales continued

Further along the asset lifecycle we have also recently launched our Operations Manager module, which gives a network operations centre (NOC) the ability to combine all monitoring data network devices into a single network view, enabling it to monitor network performance degradation, predict outages and prioritise network resolution issues and assign outages to field operators. We are unique in providing our customers a single "office to field" platform.

Our myWorld product line is very well articulated. We have more applications along different parts of the value chain that are specific to each industry we serve.

In addition, we are changing the way we price and sell myWorld in order to encourage more long-term subscriptions and recurring revenue. Specifically, we are changing our pricing schemes to more usage-based models that provide our customers better price points to start using myWorld and better aligns value with increased usage as system integration and user adoption grows. Additionally, we have retrained our salesforce and created new pricing and marketing tools to foster a "subscription first" culture.

Market opportunity

In 2018 myWorld signed up eleven new customers, including another top ten utility in North America and thanks to our own product focus we were able to increase gross margins. That said, financial results for the IQGeo business in the second half of 2018 were out of line with our expectations as deals we had forecast slipped into 2019. During the period our sales team continued to mature and improve. We employed a number of new quota-carrying personnel and implemented programmes/training to optimise performance.

However, the potential of our target markets remains strong. The telecommunications industry is making major investments in fibre and 5G networks and utility operators are actively engaged in network upgrade programmes that include the rollout of new technologies such as smart metering. These investment activities are linked directly to strategic digital transformation initiatives that will improve their profitability, capture new customers, improve and extend product offerings and cut operating costs. Our myWorld and next generation geospatial platforms are uniquely positioned to help our customers enable the digital transformation initiatives that are mission critical to the growth and competitiveness of their business.

Outlook and competitive positioning

As telecommunications and utilities customers consider the merits of large upgrade programmes of their legacy Geospatial Information Systems ("GIS"), some of which are more than 20 years old, they are taking the opportunity to look at fresh technology. Customers continue to tell us they need systems that are cloud ready, mobile ready and very easy to integrate. On those measurements IQGeo is already well positioned. In response to this window of opportunity, IQGeo has announced that it will aim to not only integrate legacy geospatial data systems but allow them to be replaced by introducing our own system of record. This creates a tremendous opportunity for us to become the alternative for these well-established GIS vendors.

Initial response to our technology and business strategy has been positive with customers and prospects desiring a fresh approach. While many of these opportunities remain large, long sales cycle projects, we are seeing healthy pipeline growth and we are investing in a modular product roadmap that allows customers to embark on these large projects in a simplified and lower risk way.

In 2019, we anticipate the managed decline of the third party geospatial services revenue to continue, falling to minimal levels by the end of 2019, but being replaced by growth in, higher margin, myWorld revenues. In the longer-term, we anticipate revenues accelerating underpinned by increased recurring subscriptions in myWorld.

Reorganising for success

The creation of the new IQGeo has been well received by employees and has involved a substantial amount of internal work to deliver new subscription-based IT systems, updated internal processes and a move to serviced offices in Cambridge, Frankfurt and Tokyo.

We will expand the product development team to both deliver our product roadmap and address the system of record opportunity, expecting to double the size of the team by the end of 2019, split between Denver and Cambridge. To maximise sales activity and results, we have created dedicated telecommunications and utilities sales teams and in early 2019 added two sales people in Europe and three in the US.

Resetting the budget for 2019 to include the expanded organisation, the flexible support environment and additionally the corporate costs, such as insurance, that couldn't be shared with the discontinued operations means that operational expenses are expected to increase by approximately £2 million over 2018's figures.

Thanks to the hard work of our team, we have been able to make a smooth transition and communicated frequently through videos, emails and face-to-face meetings. The result has been to create a strong, shared group ethos. We are now a smaller and more focused team that is communicating more effectively than in the past and this is a positive culture change that will be essential for growth. The new IQGeo emerges at a very interesting time for the geospatial market in utilities and telecommunications.

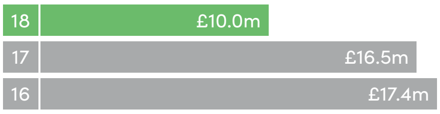
We believe – and our customers tell us – that our technology is compelling in its ability to accelerate productivity and collaboration across enterprise planning, design, construction and maintenance processes. We know we deliver clear business value to our customers as they upgrade and expand their network assets and that large swathes of our target market are seriously considering what geospatial technology to adopt for the next 20 years. I can confidently speak for the entire team when I say that we are all extremely positive about the future of IQGeo.

Richard Petti
Chief Executive Officer
10 April 2019

Continued operations

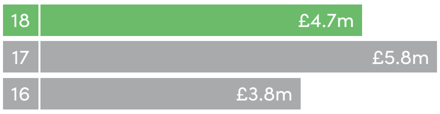
Total revenue

£10.0m



myWorld product revenue

£4.7m



Gross margin

44%

Net cash balance

£30.9m

Enhancing the customer experience

myWorld gives Cable One the ability to rollout future cable networks across 21 American states.

Phoenix, Arizona

"myWorld and Capture give us a simple tool to assist with network planning and auditing that is easy to use in the field. Over the 40 plus years that I have spent in the field, I have never found a solution that can do this, not until I found myWorld. We were looking for something simple to help us get the everyday work done, while also keeping our network maps as accurate as possible.

I truly believe that this is the right tool for Cable One. myWorld and the Capture tool are going to allow me to keep my systems and the network updated, giving us the availability to build our future networks."

Dick Rohm,
Director of Engineering, West at Cable One

Creating **business value**

Cable One needed a solution to enhance its as-built data, accelerate time to market and reduce Mean Time to Repair (MTTR) to improve the customer experience.

In early 2018 Cable One started using the myWorld platform. By creating a single architecture for geospatial-based applications to manage Cable One's geographically dispersed network assets, myWorld quickly improved the visibility and quality of outside plant data for its engineering, planning and field operations.

myWorld Capture has enabled the Cable One field staff and contractors to deliver high quality walkout surveys, same day construction as-builts, red-lines and data corrections from any mobile device, with a supporting secure offline data synchronisation that can scale to thousands of users.

Future plans for myWorld

myWorld will become the complete GIS platform for Cable One, including design, project tracking and developing applications for other business units to manage network assets.

7th

Largest cable company in the United States

800,000+

Customers

A digital transformation journey

The telecommunications and utilities industries targeted by IQGeo are undergoing tremendous change driven by economic, consumer and technological factors. At the root of this change is increased competition for existing customers, creating constant pressure to provide higher quality, more reliable services. Remaining competitive means delivering new technology like fibre, 5G and smart meters that demand the efficient planning, construction and maintenance of major network investments.

Industry transformation drivers

- Increasing regulatory oversight.
- Increasing frequency and severity of national disasters.
- Increasing customer expectations.
- Increasing competition from innovative players.

This perfect storm of technology rollout, increasing competitive pressure, greater regulatory oversights and more frequent and severe natural disasters creates a compelling market opportunity for IQGeo's software solutions. To support essential digital transformation initiatives, more sophisticated technology is being pushed further to the edge of the network, creating greater data gaps between field operation and legacy centralised management systems.

The IQGeo solution

IQGeo software creates a geo operations hub that reflects each customer's environment, providing a mission-critical resource for telecommunication and utility operators to take control of the new realities they face. Unlike many of our competitors, the IQGeo software has been built exclusively for the needs of these industries; its "mobile first" platform effectively enables them to manage assets at the very edge of a network and our single common architecture delivers a highly flexible and extendable solution.

The GIS crossroads

In early 2019 IQGeo announced plans for the development of a next generation geospatial platform that is tightly integrated with the existing myWorld platform and applications. The timing of this announcement reflects major changes happening in the traditional Geographic Information Systems (GIS) market.

To date, network operators have used large, complex and centralised GIS environments as their primary "system of record" but now struggle with these environments as ever greater data gaps are emerging between siloed systems and processes. Two of the largest GIS players are now requiring that their customers undertake major system upgrades, typically costing millions of dollars.

The IQGeo solution

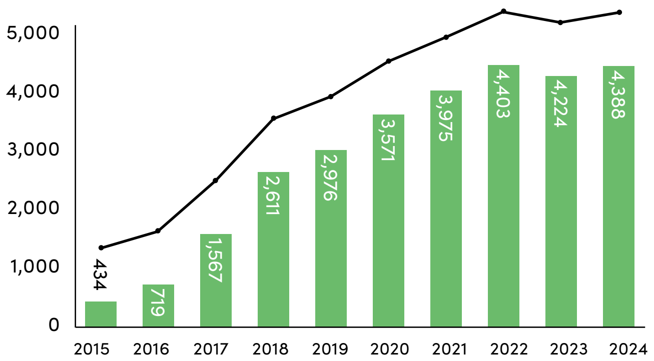
Our next generation geospatial platform will disrupt the complex, legacy GIS status quo, allowing network operators to reimagine their operational system strategy. Our new platform will provide a much more agile, integrated and cost-effective solution for our customers and an excellent mid to long-term opportunity for our business.

Market stats

Telecommunications

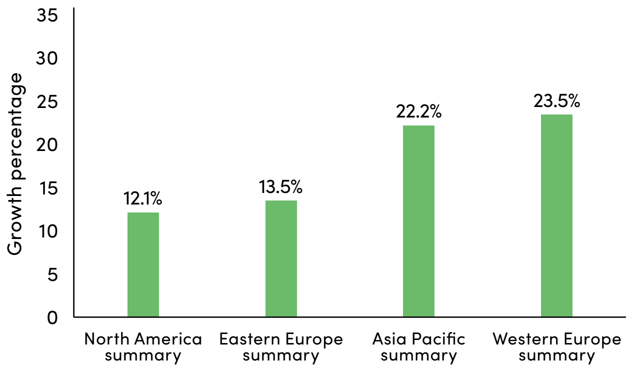
Investment in technology deployment to the edge of the network continues to grow as subscriber number for cable and fibre connections remains healthy.

Total worldwide 5G small cell units 2015-2024 (000)



As of November 2018. Includes small cells units only. Sources: Industry data and Kagan estimates. Kagan, a media research group within the TMT offering of S&P Global Market Intelligence. © 2018 S&P Global Market Intelligence. All rights reserved.

CAGR broadband fibre subscribers 2015–2020



Source: Industry data and Kagan estimates. © 2018 S&P Global Market Intelligence.

Utilities

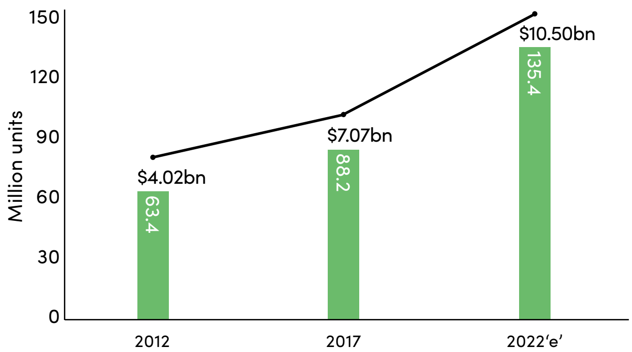
Utilities are making major investments in digital infrastructure that enables high value services and operational automation, including new technology such as smart meters.

$133.8 billion

14% increase in capital expenditure for the top 50 electricity and gas companies in North America to a record $133.8 billion

Source: Deloitte 2019 power and utilities industry outlook.

Smart Meters, Global Market Size 2012, 2017, 2022



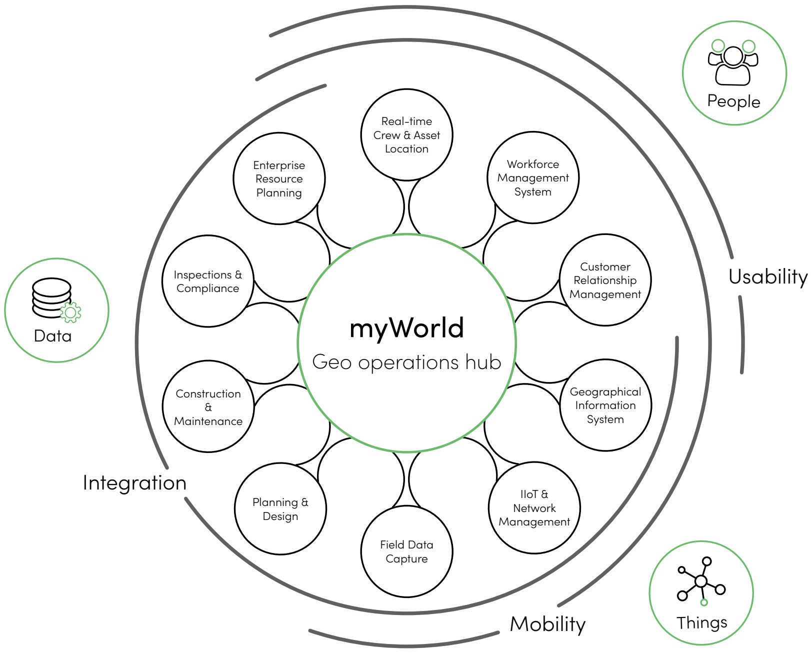
Source: GlobalData, Technology Intelligence Center.

"

Technology is expanding opportunities to improve operations. While customer-interface technologies may be the most visible aspect of technological enhancement of the utility business, they are far from the only aspect. The technology landscape for utilities, from generation right through to the customer, has probably never been richer."

Scott Smith, US Power & Utilities leader, Deloitte LLP

Integrating complex field operations and office processes



IQGeo product offering

IQGeo's mobile geospatial software solutions accelerate productivity and collaboration across enterprise planning, design, construction and maintenance processes for the telecommunications and utilities industries.

Our flagship myWorld software is at the heart of our end-to-end mobile geospatial solution strategy. IQGeo customers use the software to create an easy-to-use geo operations hub that unlocks the right information at the right time, accessing data previously hidden away in complex and disconnected back end systems.

The ability to capture and visualise field information is mission critical to efficient operations and this is enabled by our strong mobile capabilities, which are second to none. myWorld captures field operations information that was previously lost, improving data quality for rapid and informed decision making.

More than 35,000 users from 45 operators and partners around the globe rely on myWorld software to easily visualise and manage their operational assets from anywhere, on any device, online or offline, in the office or in the field.

With our design principles of mobility, usability and integration, we put our customers in control of their business-critical processes. Our software reduces the cost of field maintenance and construction and enables our customers to deliver high value services that increase customer satisfaction and reduces churn.

2018 applications

IQGeo offers a range of customer-led applications that are tightly integrated with the myWorld platform, supporting each customer's unique geo operation hub:

- **Capture** — enables field staff and contractors to deliver high quality, same day construction as-builts, red-lines and data corrections from any mobile device.
- **Damage Assessment** — improves overall field communication as well as the speed and quality of information collected during storms or emergency events.
- **Fibre Planning** — the FTTX and N+0 planning and design solution that accelerates time to market for next generation fibre network projects.
- **Inspection & Survey** — transforms infrastructure companies' ability to increase field inspection team productivity, eliminating regulatory penalties and fines.
- **myWorld for Salesforce** — gives sales, customer service and operations staff self-service access to accurate and reliable network engineering, capacity and serviceability information.
- **Network Insight** — delivers an array of simple-to-use data analytics and visualisation tools that enable rapid investigation of reliability issues on network to help determine the root cause of problems and optimise maintenance.

Platform advantages

Built for infrastructure networks
- Reality-centric and not map centric

Mobile first architecture
- View and update data anywhere work is done

One common platform
- Single flexible development environment

Business advantages

Enable
- Innovative digital transformation
- Rapid technology and network rollout
- Higher margin business models

Increase
- Service reliability
- Network uptime
- Customer satisfaction
- Operational safety

Decrease
- Design, build and maintenance costs
- Field response times
- Cost of ownership for IT systems
- Operational and IT risks

Next generation geospatial platform

In early 2019, IQGeo announced development plans for a next generation geospatial platform. Traditional GIS have been with us for more than 30 years and these legacy systems now struggle to deliver the technology, agility and cost-effective economics that are essential for network digital transformation.

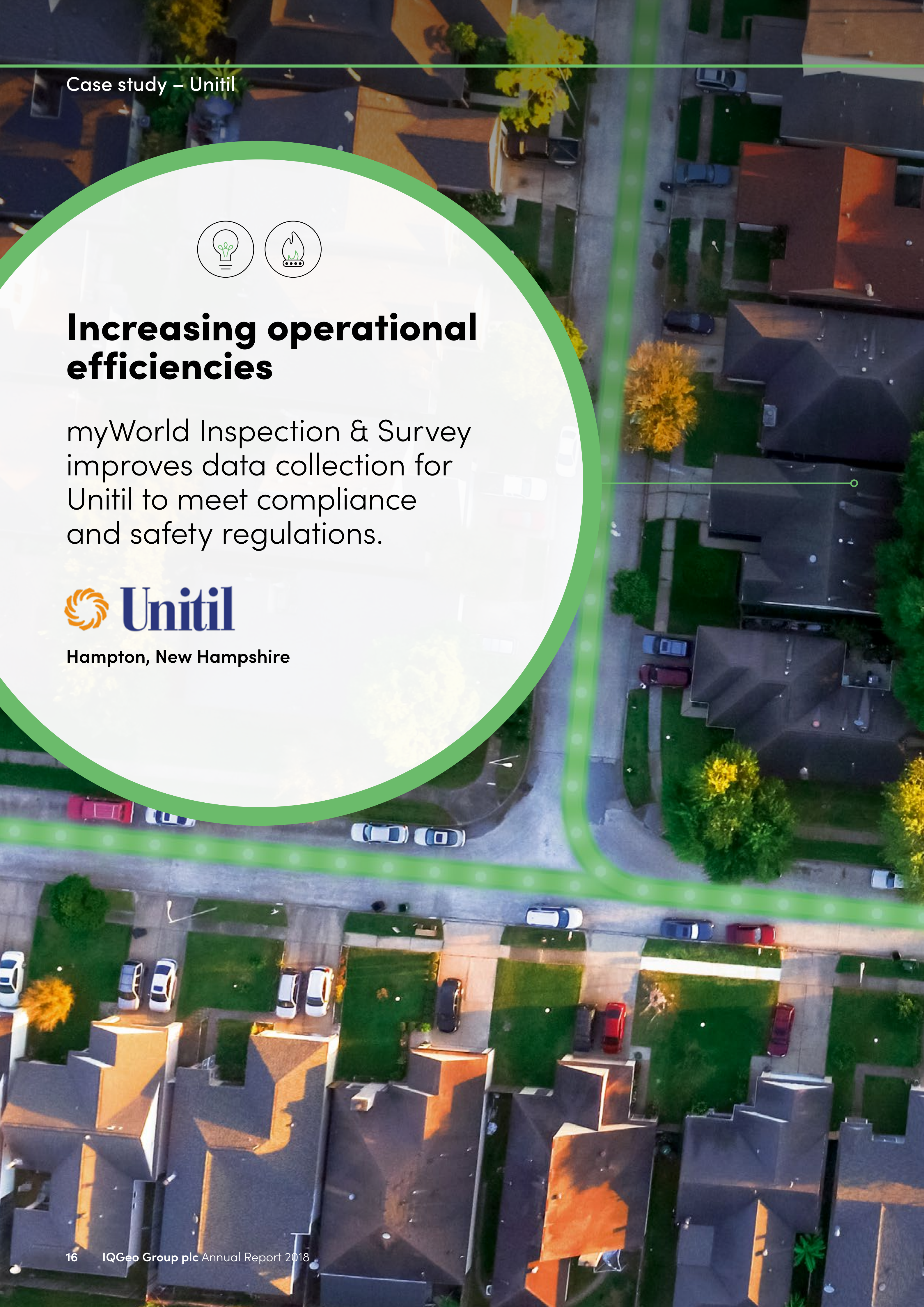
IQGeo's next generation geospatial platform is designed to address the realities of our customers' rapidly changing ecosystem. Built on our proven mobile myWorld platform, its cost-effective and innovative architecture is challenging the conventional role and capabilities of expensive, complex GIS environments.

Organisations can take control of their operational assets by creating, capturing and editing their geospatial data on any mobile device, online or offline, in the field or in the office. Its mobile first approach is radically different from any of the offerings from traditional GIS vendors. The future is all about updating network asset data immediately as work happens in the field, in increasingly automated ways.

2019 applications

Based on direct feedback from our customers and prospects, IQGeo will also be extending its suite of applications in 2019. New applications will focus on three areas of planning, workflow and field and inspection.

- **Construction Manager** – controls the construction programme by giving field staff what they need to get the job done right, first time.
- **Operations Manager** – simplifies field and network operations to accelerate repairs and reduce rework.
- **Serviceability Manager** – project managers can quickly create estimates for high volume simple projects, using different optimisation models.



Increasing operational efficiencies

myWorld Inspection & Survey improves data collection for Unitil to meet compliance and safety regulations.

Unitil

Hampton, New Hampshire

> **"After adopting the myWorld Inspection and Survey product, Unitil has increased operational efficiencies and has been able to produce verifiable, traceable and complete audit records in support of mobile leak survey activities. We look forward to expanding the use of the myWorld Inspection and Survey product to other operational areas of the business. I am excited about our continued partnership."**

Stacey Kilroy, Sr.
Integrity Management and Pipeline Safety Coordinator at Unitil

Creating **business value**

Unitil, as with all utility companies, faces a wealth of compliance and safety regulation. It has an affirmative obligation to make its systems safer. To do so it must prioritise risks, which need to be supported by accurate data. This data is then used to help Unitil demonstrate system improvements over time.

In 2016, Unitil started deployment of myWorld Inspection & Survey to conduct driving surveys using laptops, replacing paper-based systems and providing a simple, clear audit trail that allows field teams to see which areas have been surveyed. myWorld delivers asset data digitally to users in the field, which has increased accuracy and enabled them to identify the exact location of facilities.

myWorld has also enabled Unitil's supervisors to easily generate reports of current and historic activity, including print maps where required. It also supports walking surveys and inspections such as critical valve, meter and atmospheric corrosion.

105,600
Electric customers

82,700
Natural gas customers

2011

Objectives set:

- Increase the amount of collective data on new installation
- Fill in the data gaps on existing assets
- Real time data collection
- Improve leak management program
- Ability to respond to field observations more quickly
- Aid in compliance

2016

Started working with myWorld

Sep 2017

Awarded "NGA Excellence in Safety and Health Recognition Program" in recognition of Unitil's safety program that positively impacted the lives of employees, customers or the general public

Dec 2017

Achieved all operational goals (set in 2011)

2018

myWorld used to survey Unitil's distribution network post-earthquakes to ensure its integrity:

- February 15, 2018, earthquake in New Hampshire
- December 21, 2018, earthquake in Gardner, Massachusetts

Transition to subscription revenue

IQGeo is transitioning from a perpetual to a subscription-based software licensing model to create a more predictable, recurring revenue stream.

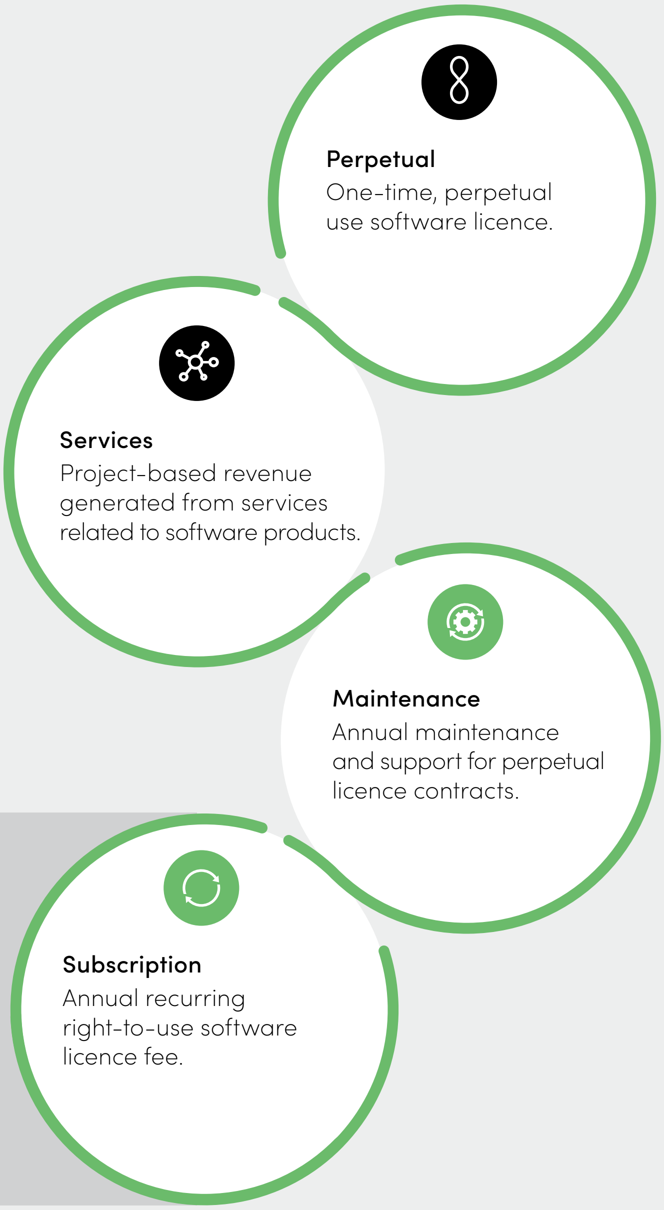
Our subscription gearing model

In 2019 the IQGeo sales team is quoting subscription pricing for all new project opportunities. Under this model, the customers' recurring revenue 'shifts up a gear' each time new users, capabilities and applications are added to their environment.

Perpetual software licensing agreements with existing customers will be retained and they will continue to be charged an annual recurring maintenance fee. However, the addition of certain new capabilities and applications will only be available through a subscription agreement.

Subscription revenue focus

IQGeo provides a value-based software subscription model for its customers. This supports a very cost-effective entry point to encourage new project deployment, while generating a predictable revenue stream.



Revenue evolution

While we are transitioning to a subscription model for our enterprise software, we will continue to have a mix of non-recurring and recurring revenue. The business objective is to transition, over time, as much non-recurring revenue as possible to recurring revenue.

New subscription-only software capabilities will include the addition of myWorld data sources and support for increased "burst" user licensing during natural disasters such as hurricanes and snow storms.

Non-recurring revenue

Perpetual
Perpetual licences will continue with existing customer contracts. This will only be possible for new customers in special cases with executive approval.

Services
Service revenue generated from projects will continue, focused less on third party products and more on services for IQGeo software.

Recurring revenue

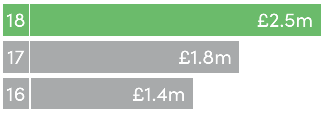
Subscriptions
All new customer proposals incorporate a software subscription revenue model.

Maintenance
Recurring maintenance and support revenue with continue for customers with existing perpetual licence contracts.

KPIs of total Group operations

Recurring M&S revenues

£2.5m



Transformation of the Group into a software-first business with strong customer retention has resulted in a 35% increase in recurring M&S revenues.

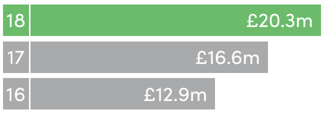
Software revenues

£3.8m

Software revenues remained consistent with the prior year with the timing of pipeline conversion delaying key deals into 2019.

Own product revenue

£20.3m



The Group has been successful in delivering its strategy of growing higher margin own product revenue, achieving an increase of 22% in 2018.

Total revenue

£25.5m

Total revenue decreased by 6% with increases in own product revenues largely offsetting the managed decline in geospatial services associated with third party products.

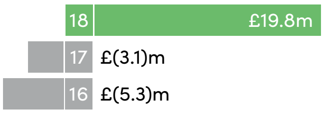
Gross margin

49%

Gross profit margin increases have been delivered through significant growth in own product revenues.

Profit/(loss) for the year

£19.8m



The 2018 profit includes the profit on disposal of the RTLS SmartSpace business unit.

Employee headcount at 31 December

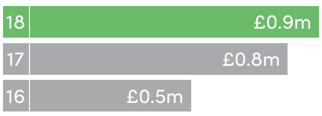
120

2018 headcount of 120 includes 61 employees of the RTLS SmartSpace business unit.

KPIs of continuing operations

Recurring M&S revenues

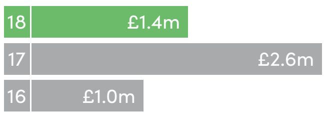
£0.9m



Recurring M&S revenues have increased by 22% due to a higher number of software users and continued customer retention.

myWorld software revenues

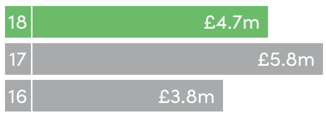
£1.4m



Software revenues decreased by 46% due to the timing of pipeline conversion. The Group plans to mitigate the risk of future revenue volatility through improving its business model to grow recurring revenues.

myWorld product revenue

£4.7m



myWorld product revenue decreased by 18% with the decline in myWorld software revenue partially offset by the increase in recurring revenues.

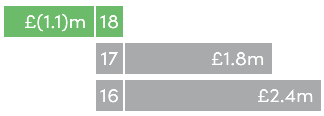
Gross margin

44%

Gross profit margin increases are due to the change in revenue mix between higher margin own product revenue and the lower profit margin Geospatial services from third party products.

Adjusted EBITDA

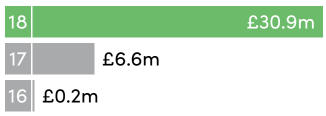
£(1.1)m



Adjusted EBITDA from continuing operations has declined due to a reduction in total revenue and increased investment during 2018 in sales and product development which is anticipated to generate growth in future periods.

Net cash

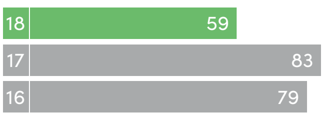
£30.9m



Net cash increased to £30.9 million following the successful sale of the RTLS SmartSpace business unit and the repayment of all bank debt.

Employee headcount at 31 December

59



As the business shifts from lower profit margin service revenues to having a greater mix of higher profit margin product revenues, the headcount requirements of the business have reduced.

Tim Gingell
Chief Financial Officer

"The successful sale of the RTLS SmartSpace division will allow the Group to focus on myWorld product growth."

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 rollover investment and further £3.0 million earn-out consideration. The earn-out consideration is dependent on milestones set for the revenues achieved in 2018 and 2019, for which the first milestone was not met as outlined in note 6 of the financial statements. The transaction price reflected the 44% revenue growth achieved during the 2018 period together with the future anticipated growth of the business. The delivery of the software strategy that the Board first implemented in 2016 led to significant improvements in gross profit margin and profitability during 2018.

The trading performance of the RTLS SmartSpace business is summarised as follows:

Revenue of discontinued operations	**2018 £'000**	2017 £'000	Year on year growth
Total revenue	**15,519**	10,796	44%
Gross profit	**8,117**	4,486	81%
Gross margin	**52%**	42%	10%

The successful sale of the RTLS SmartSpace business unit enables the remaining IQGeo Group to be a focused and well-funded geospatial software operation working globally with telecommunications and utilities industries. Continued investment in myWorld products, building an industry-leading offering, alongside the development of sales channels, is anticipated to increase recurring own product revenues and gross profit in future periods.

Revenue

The continuing operations of the Group are managed as a single Geospatial division. The Geospatial division is focused on growing own product myWorld revenues which include selling perpetual software licences, generating recurring revenues from software subscription products and maintenance and support contracts, and delivering consultancy services revenues. Additionally, the Geospatial division has a legacy operation that provides lower margin consultancy services connected to third party products which have declined in the current period and are expected to decline in future periods.

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

Revenue of continuing operations	**2018 £'000**	% of total revenue	2017 £'000	% of total revenue	Year on year growth
Software	**1,395**	14%	2,575	16%	(46)%
Maintenance and support	**918**	9%	750	5%	22%
Services	**2,424**	24%	2,459	15%	(1)%
Total revenue generated from myWorld products	**4,737**	47%	5,784	35%	(18)%
Geospatial services from third-party products	**5,242**	53%	10,675	65%	(51)%
Total revenue	**9,979**	100%	16,459	100%	(39)%

The Group has shown growth in recurring maintenance and support contracts of 22%. Sales of perpetual software licences have declined during the 2018 period as the division has remained reliant on the timing of completion of a small number of significant orders. Going forward, the Group plans to evolve its business model to grow recurring revenues beyond maintenance and support contracts with additional subscription-based software sales contracts. This will provide greater stability to income and operations in future periods.

Orders

Total bookings of new Geospatial customer orders in 2018 decreased by 31% to £8.2 million (2017: £12.0 million). £3.4 million of this related to myWorld (2017: £6.8 million) and £4.8 million to third party geospatial services (2017: £5.2 million).

The order book backlog as at 31 December 2018 was £3.7 million (2017: £5.1 million), most of which will be recognised during 2019. £1.6 million of this related to myWorld (2017: £2.9 million) and £2.1 million to third party Geospatial Services (2017: £2.2 million).

Gross profit

Gross profit of continuing operations	2018 £'000	Gross margin %	2017 £'000	Gross margin %	Gross margin movement
Geospatial division	**4,380**	44%	6,371	39%	5%

The gross margin % of the Geospatial division has increased during 2018 due to the increase in higher profit margin recurring maintenance and support revenues and the managed reduction in lower profit margin service revenues associated with third party products.

Operating expenses and adjusted EBITDA from continuing operations

Operating expenses were £6.0 million (2017: £5.9 million) and are summarised as follows:

	2018 £'000	2017 £'000
Other operating expenses	**5,446**	4,602
Depreciation	**273**	46
Amortisation and impairment	**774**	807
Share option expense	**248**	237
Unrealised foreign exchange on intercompany trading balances	**(151)**	252
Non-recurring items	**(619)**	–
Total operating expense	**5,971**	5,944

Other operating expenses of the Group include sales and product development costs directly attributable to the Geospatial division. Other operating costs have increased during 2018 due to investment in sales headcount to deliver future growth and investment in product engineering, in line with the strategy outlined last year.

The other operating costs reported above include an allocation of the central administration and marketing costs of the Group which supported both the Geospatial and discontinued RTLS SmartSpace divisions during 2018 and 2017. Accordingly, the figures reported above do not provide a realistic cost base to support the continuing operations going forward and other operating costs will be expected to increase in future periods. Following the separation, the Group will maintain flexibility within its cost base and these measures will include utilising short-term serviced office leases and a subscription-based IT environment. It is anticipated that other operating expenses will increase by approximately £2 million in 2019 from the 2018 expenses reported above. There will be a reduction in capital expenditure as a result of this strategy.

Non-recurring items relates to the profit on disposal of the third party geospatial services business of our Japanese subsidiary which occurred on 30 March 2018. Strategically this sale was part of the managed decline of the Group's third party geospatial services business.

Operating expenses and adjusted EBITDA from continuing operations continued

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 £1.1 million loss (2017: £1.8 million profit).

The operating loss for the period from continuing operations was £1.6 million (2017: £0.4 million profit).

EPS and dividends

Adjusted diluted loss per share from continuing operations was 3.0 pence (2017: 1.6 pence gain). Reported basic and diluted loss per share from continuing operations was 2.2 pence (2017: 0.8 pence gain). The Board does not feel it appropriate at this time to commence paying dividends.

Impact of IFRS 15 and IFRS 16

IFRS 15 Revenue from Contracts with Customers has replaced IAS 18 Revenue. The new standard has been adopted from 1 January 2018. IFRS 15 introduces a number of new concepts and requirements, and also provides guidance and clarification on existing practice.

IFRS 16 Leases will replace IAS 17 and three related interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. The consolidated statement of comprehensive income is impacted through reduced operating expenses, and higher depreciation and finance costs. The new standard is applicable from 1 January 2019 but the Group adopted the standard from 1 January 2018.

The impact of the adoption of IFRS 15 and IFRS 16 on the results for the period ended 31 December 2018 has been disclosed in detail within note 2 to the financial statements. In summary, implementation of IFRS 15 has had minimal revenue impact, whilst the impact of IFRS 16 has been to increase adjusted EBITDA from continuing operations by £0.2 million for the year ended 31 December 2018.

Discontinued operations

The profit recognised during 2018 from discontinued operations is £21.5 million (2017: £3.5 million loss). The 2018 results of the RTLS SmartSpace business reflected significant growth with revenues increasing by 44% from the prior period; however, the first milestone of the earn-out was not achieved due to the timing of certain customer orders. The full value of the 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 the statement of financial position as at 31 December 2018. Management believes that this is appropriate as achievement of the milestones is dependent on the new management team's strategy and performance, over which IQGeo has no influence as a non-controlling shareholder.

The disposal of the RTLS SmartSpace business unit 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.

Disposal of Japanese geospatial services business

On 30 March 2018, the Group concluded the sale of its Japanese third party geospatial services business including the Geoplan brand name for a gross consideration of JPY 100 million (£0.7 million). This disposal was consistent with the Group's strategy to focus on higher margin own product revenues while managing a decline in lower margin services associated with third-party products.

The Japan disposal has not been included within discontinued operations as geospatial services connected to third party products will continue in the short-term future within our North America operations, and the net assets disposed of under this transaction were not significant to the Group.

Alongside this transaction, the Group acquired the 23% non-controlling interest of Ubisense Japan K.K. in March 2018. The acquisition of this non-controlling interest gave the Group 100% ownership of its remaining Japanese operations prior to its inclusion as part of the sale of the RTLS SmartSpace business unit.

Consolidated statement of financial position

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.

As at 31 December 2018, the Group had a cash position of £30.9 million with no debt (2017: net cash position of £6.6 million being £9.1 million of cash and £2.5 million of debt).

Non-current assets

Total non-current assets were £3.6 million (2017: £3.5 million).

Capitalised development costs represent the key intangible assets of the Group being investment in IQGeo's own products which will support the future growth of the business. Capitalised development costs at 31 December 2018 were £1.2 million (2017: £2.7 million) with the reduction during the year being due to the disposal of the RTLS SmartSpace intellectual property. The remaining book value relates solely to myWorld products.

The appropriateness of the assessment of the useful life of current development projects was reviewed, but no change has been made to the current three-year amortisation period, due to the fast-moving nature of the technology. The recoverable amount of the capitalised development costs is supported through the anticipated growth in revenues of the myWorld products.

As a result of the early adoption of IFRS 16, leases greater than twelve months have been recorded on the statement of financial position in the form of a right-of-use asset with £0.3 million recognised as at 31 December 2018 (2017: £nil).

The consideration for disposal of the RTLS SmartSpace business included £2 million in a rollover investment into the sold business and accordingly an investment asset of £2 million is recognised as at 31 December 2018 (2017: £nil).

Current assets

Total current assets increased to £34.5 million (2017: £21.1 million) which is driven by a cash increase to £30.9 million (2017: £9.1 million).

Following the sale of the RTLS SmartSpace business the working capital requirements of the Group have significantly decreased. Trade receivables net of provisions decreased to £1.5 million (2017: £6.2 million). Amounts recoverable on contracts totalled £0.6 million (2017: £2.7 million) which are generated from services contracts or end of period deliveries, and are then invoiced in the following month or as the relevant milestone is reached. Hardware inventories decreased to £nil (2017: £1.5 million) as the continuing operations do not involve hardware.

Total assets

Total assets increased to £38.1 million (2017: £24.6 million) which includes £30.9 million of cash.

Current liabilities

Total current liabilities decreased to £5.5 million (2017: £10.0 million). Trade payables decreased to £2.2 million (2017: £3.0 million).

Non-current liabilities

Total non-current liabilities decreased to £0.3 million (2017: £2.5 million) following the repayment of the HSBC loan (£1.8 million) on 31 December 2018.

Net assets

Net assets increased to £32.3 million (2017: £12.1 million) following the disposal of the RTLS SmartSpace business.

Cash and cash flow

Operating cash flow before working capital movement was £0.4 million inflow (2017: £0.4 million inflow).

Operating cash flows from operating activities after adjusting for working capital and tax was £0.9 million inflow (2017: £3.6 million inflow).

The Group had investment inflows of £24.3 million (2017: £2.1 million outflow), which is largely made up of cash received following the sale of the RTLS SmartSpace business unit.

Cash outflows from financing activities were £3.5 million (2017: £4.3 million inflows). This included repayment of the HSBC loan of £2.5 million during 2018.

Return to shareholders

Following the completion of the RTLS SmartSpace business unit disposal, the Board intends to return some of the excess funds to shareholders (subject to complying with all relevant law and regulation in effecting such return which is likely to include a capital reorganisation). Further details of the amount and timing of the return to shareholders will be made in due course.

Tim Gingell
Chief Financial Officer
10 April 2019

Principal risks and uncertainties

Key

- Increase
- Decrease
- No change
- New

The Directors of IQGeo Group plc confirm that we have carried out a detailed assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Risks that present a potential material impact are identified and governed in accordance with our risk management policies.

Effective risk management is critical to the achievement of the Group's long-term growth. The Board has overall accountability for ensuring that risk is effectively managed across the Group through the implementation and review of the Group's risk processes.

The principal risks listed in the table are those we believe could cause our results to differ materially from expected and historical results. They are also the risks that may impact the achievement of the Group's strategic priorities.

Strategic risks

Principal risk and impact	Mitigation of risk	Change in the year
Growth management Near-term expansion is expected to develop existing markets and expand into new markets. The risks associated with growth include the delivery of market penetration through the conversion of leads to sales, and control of increases in fixed operating costs to support revenue growth. If the Group is unable to manage expansion effectively, its business and financial results could suffer.	• Close monitoring of business development strategy and regular reviews of the sales opportunity pipeline at Board meetings. • Head office support of regional office development in the event of accelerated regional growth. • Development of systems and processes that can scale with the business while maintaining good financial management.	
Dependence on key customers The Group has a concentrated customer base, many of which are substantially larger enterprises than the Group. The Group is reliant on significant projects with its key customers to deliver financial results. The conversion of opportunities to signed contracts and then the subsequent timing of the projects are not fully under the control of the Group.	• The Group's management performs regular reviews of the opportunity pipeline, including critical stages to complete the larger deals with status reported at Board meetings. • Increase the breadth of the opportunity pipeline through recruitment of more quota-carrying sales and pre-sales personnel. • The Group continues to invest in the key customer relationships that it has successfully retained over many years, while also maintaining a strategy to extend and diversify its customer base. • Development of recurring revenue streams including M&S and subscription services.	
Technological risk The Group operates in an industry where competitive advantage is heavily dependent on technology. Technological development may reduce the importance of the Group's function in the market.	• Regular monitoring of the industry and advances through participation in research forums. • Review of the myWorld product roadmap by the Board to ensure competitiveness. • Continued investment in technologies that meet customer needs. • Monitoring of planned R&D to ensure resources are allocated to deliver advances that are aligned to the Company strategy.	

Key

- Increase
- Decrease
- No change
- New

Operational risks

Principal risk and impact	Mitigation of risk	Change in the year
Customer satisfaction and retention Barriers to entry into the market are high with proof of delivery in customer environments essential. The Group operates in a market with a small number of significant customers and reputational damage through poor customer satisfaction could be significant. Large customers generate a high proportion of recurring business as well as upsell and cross-sell opportunities. These customers also provide solution references and often trial new products or updates to existing ones. Additionally, poor customer satisfaction could result in delays in the timing of customer payments which would reduce the working capital available to the Group.	• Maintain regular communications with customers. • Ensure appropriate level of resources are applied to key customer accounts. • Deal with issues quickly through a clear escalation path.	No change
Staff recruitment and retention The Group's success is substantially dependent upon recruiting, retaining and incentivising senior management and key technically skilled employees, the loss of whom could have an adverse impact on the performance of the business.	• The Group has in place appropriate incentive structures to attract and retain the calibre of employees necessary to ensure the efficient development and management of the Group. • The Group has implemented Employer of Choice initiatives including career planning and organisational development.	No change

Key

- Increase
- Decrease
- No change
- New

Operational risks continued

Principal risk and impact	Mitigation of risk	Change in the year
Legal and regulatory breaches The Group is required to comply with local laws, regulations and legislation in each jurisdiction in which it operates. These include compliance with financial reporting and conduct requirements and health and safety, data protection and anti-bribery rules. Failure to comply with local laws may result in the cessation of the ability to trade in that jurisdiction, fines or the allocation of resources to perform corrective actions.	• The Group monitors new developments taking input from local advisers. • The Group regularly reviews its processes to ensure that the risk of default is minimised.	No change
International trade The UK is anticipated to leave the European Union. The risks associated with Brexit include a potential increase in the level of market volatility and barriers to trade between the UK and the EU following the end of any transition arrangements that come into force post-Brexit, and may impact the investment plans of our customers. The Group is exposed to economic downturn within the markets in which it operates.	• European customers enter into contracts with IQGeo GmbH, a Germany-based subsidiary of IQGeo Group plc. • The Group's customer sales are spread across multiple territories which may partially mitigate against a downturn in any one region. • The nature of the continuing operations following the disposal of the RTLS SmartSpace business unit will reduce the impact of Brexit on the Group.	No change
Digital infrastructure and cyber security Breaches of the Group's digital security through cyber attacks or otherwise, or failure of the Group's digital infrastructure could seriously disrupt operations, including the provision of customer services, and result in the loss or misuse of sensitive information, legal or regulatory breaches resulting in potential liability and reputational damage among the customer base leading to a decline in revenues.	• The Group continues to invest in resources in enhancing its network resilience and defences, through monitoring and reviewing the incident response processes to mitigate the impact of a security breach. • Short and medium-term cyber security enhancement plans are regularly reviewed by the Board.	No change

Key

- Increase
- Decrease
- No change
- New

Financial risks

Principal risk and impact	Mitigation of risk	Change in the year
RTLS SmartSpace disposal warranties On 31 December, the Group disposed of its RTLS SmartSpace business. The sale agreement included a number of warranties which would allow the new owners of the RTLS SmartSpace business to make a claim against the Group, should additional liabilities crystallise at a later date.	• The Group has worked extensively with external advisers in concluding the transaction to minimise the extent of the warranties.	New
Taxation The Group has operations in multiple countries and is exposed to international tax laws. Changes to taxation legislation could have an adverse impact on the working capital and profitability of the Group.	• The Group reviews local compliance and upcoming changes to legislation with its advisers and continues to update forecasts accordingly.	No change
Foreign exchange risk The Group's international operations expose it to the effect of changes in foreign currency exchange rates. A major proportion of the Group's receivables and payables are currently denominated in Canadian dollars and US dollars.	• The Group relies on a partial natural hedge of Canadian Dollar, US Dollar, Euro and Japanese Yen receivables being in the same currency as the local operation's payables. • The Group's working capital is forecast and monitored in the local currency of each subsidiary allowing the foreign currency exposure across the Group to be reviewed.	No change
Financial reporting risk In preparing the financial statements, the Group makes accounting estimates that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year. These judgments are detailed further in note 4 to the financial statements and include revenue recognition and myWorld development costs.	• In forming our accounting judgments, management discusses estimates with internal experts within the IQGeo Group to ensure all relevant facts are understood. • The underlying fact pattern and conclusions reached in making accounting judgments are discussed in detail with the Audit Committee of the Group.	No change

Risks reported in the prior year which are no longer considered to be principal risks

Future funding requirements and meeting covenants associated with bank debt were identified as principal risks in prior periods. These are no longer risks to the Group following the sale of the RTLS SmartSpace business unit and repayment of the Group bank debt on 31 December 2018.

The Strategic report was approved by the Board of Directors on 10 April 2019 and signed on its behalf by:

Tim Gingell
Chief Financial Officer
10 April 2019

Our people

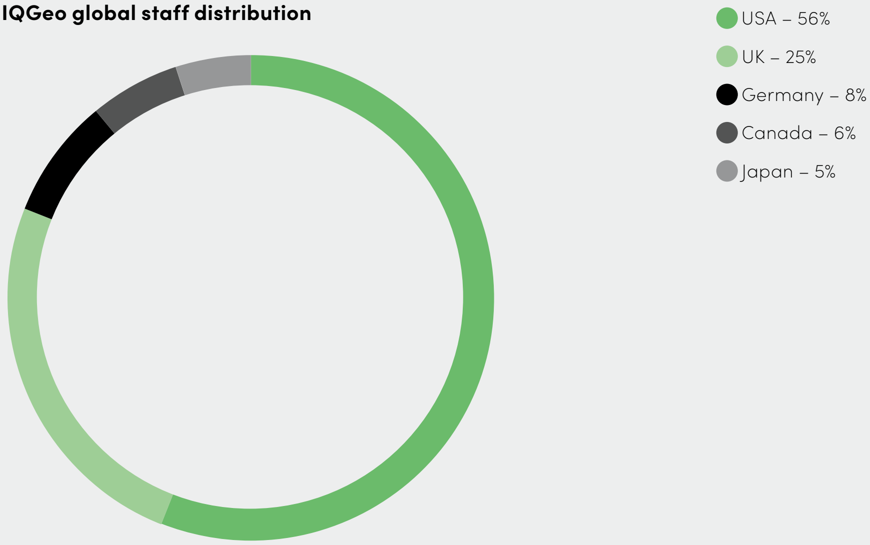
With staff tenure well above industry averages, IQGeo benefits from improved business productivity and high employee satisfaction.

IQGeo team in Cambridge

5.8 years

Average staff tenure

IQGeo global staff distribution



Culture, Values, and CSR

Our people are expert and passionate professionals whose commitment to the company are essential for our success. They create compelling and innovative technical solutions that solve real world problems and they thrive on the challenge of delivering success for our customers. We recruit staff from a wide range of backgrounds including utilities, telecommunications, technology and professional services companies, and it is this combination of competencies that enables us to deliver high value solutions to our core markets.

Values

We are a knowledge-based industry, so staff retention is important for the growth and success of the company. Providing core values that employees want is key to having an engaged and successful workforce. We believe that employees want interesting work, career opportunities, recognition for their effort, and connection to the local and global community. Over the course of 2018 the company provided focused effort in all these areas, summarised as our Employer of Choice initiative.

Each employee was given the opportunity to perform work with input on goals and objectives setting and had a conversation regarding their long-term career and career path that is recorded and used when considering new roles internally. We recognised key victories in individual performance during all-hands meetings. Additionally, each employee can participate in their local community by taking one day a year of paid leave to assist with a charity of their choice. This effort is creating stronger employee engagement as shown by the Annual Employee Survey.

In 2018, our staff recorded a renewed excitement and engagement at work in our confidential annual survey. By tracking key engagement factors, we can see where staff perceptions greatly improved and are indicative of higher employee satisfaction over the previous year:

Culture and value indicators measured on a scale of 1 to 10

Motivation:	Up 2 points from 6 to 8
Clarity of Vision:	Up 2 points from 5 to 7
Team Work:	Up 1 point from 8 to 9
Business Focus:	Up 1 point from 7 to 8
Innovation:	Up 1 point from 7 to 8
Quality:	Up 1 point from 7 to 8

These improvements show that staff morale, confidence in the company direction and the management team are at good levels. Even after the split of the business, we see nearly half (47%) of IQGeo staff have been with the business five or more years. This is higher than the industry average of 4.2 years. Our retention programmes are bearing results.

Employee Engagement

The Employer of Choice initiative also provided coaching and training to the staff, especially focusing on managers and leaders. All staff received Time Management Tips training that was well received and is available to all new staff.

Everyone receives mid-year and year-end performance reviews, aligning activity with engaging work. Knowing that effective managers will yield high performing teams, all managers received one-on-one coaching by Human Resources to assess management ability and to identify individual areas of development. In addition, staff received professional training in strategic selling, product management, and pragmatic marketing.

Focusing on talent development, engaging with employees to create a positive working environment and recognising success, all made 2018 a successful year with a highly dedicated and confident work force.

1.8 years

the average staff tenure for the 10 biggest tech companies*

4.2 years

the average staff tenure for salaried employees in the US**

5.8 years

an average of 5.8 years per person across IQGeo staff

* Business insider Top 10 tech company staff tenure https://www.businessinsider.com/employee-retention-rate-top-tech-companies-2017-8?r=US&IR=T

** US Bureau of Labor Statistics, 20 September 2018 https://www.bls.gov/news.release/tenure.nr0.htm

Guidance and counsel

The Board of Directors has overall responsibility for the Group. Its aim is to provide the leadership and industry-specific insight required to develop a successful business, through utilising the broad range of skills and experience of the Board members.

Paul Taylor

Chairman

Experience

Paul Taylor spent over 21 years with AVEVA Group plc and was Group Finance Director from 2001 to 2011. Paul is a Fellow of the Chartered Association of Certified Accountants and was recipient of the FTSE 250 Finance Director of the Year in 2008. Paul was appointed to the IQGeo (then Ubisense) Board on 28 February 2011. Previously, Paul was a non-executive director of Anite plc, KBC Advanced Technologies plc and Escher Group Holdings plc.

Other appointments

Paul serves as a non-executive director of Thruvision Group plc and Frontier Smart Technologies Group Limited. Paul is also a Trustee of CAD Centre Pension Fund.

Richard Petti

Chief Executive Officer

Experience

Richard Petti brings 25 years of experience in developing market-leading businesses for automotive, financial and industrial customers. He was previously CEO of Asset Control, a supplier of data management systems to leading financial institutions, and COO at WEMA, a leading provider of sensors to commercial vehicle manufacturers.

Other appointments

None.

Tim Gingell

Chief Financial Officer

Experience

Tim has over 25 years of commercial and financial experience across software, wireless and telecoms industries. At IQGeo, Tim has rebuilt the balance sheet through disposals, organisation restructuring, renegotiating debt finance and closing two fundraising rounds on London's AIM stock market, and positioned the business for software-led growth. Tim held leadership positions at i2/IBM, The Cloud Networks and MFS/WorldCom.

Other appointments

None.

Dr. Robert Sansom

Non-Executive Director

Experience

Dr. Robert Sansom co-founded and was CTO of FORE Systems, acquired by Marconi for $4.5 billion in 1999. Robert joined the IQGeo (then Ubisense) Board on 16 December 2005. He co-founded and was Chairman of the Cambridge Angels from 2001 to 2010.

Other appointments

Robert is a non-executive director to enterprises including Myrtle Software Ltd, Focal Point Positioning Ltd, Featurespace Ltd, Camfed International, Cambridge Communication Systems Ltd, CRFS Ltd and Netronome Inc. Robert was elected as a Fellow of the Royal Academy of Engineers in 2010.

Ian Kershaw

Non-Executive Director

Experience

Ian has over 30 years' experience in the automotive, manufacturing and power industries. Ian was appointed as a Non-Executive Director to the IQGeo (then Ubisense) Board on 23 May 2014. Previously, Ian was a director of Ricardo UK Ltd. Ian is Executive Chairman of Coryton Advanced Fuels (Premier Topco Limited), a supplier of bespoke fuels to the world's automotive industry.

Other appointments

Ian is also a non-executive director of Surface Generation Ltd.

Oliver Scott

Non-Executive Director

Experience

Oliver is a partner of Kestrel Partners LLP, IQGeo's largest shareholder. Kestrel invests in small and microcap UK-listed companies and has a particular focus on the enterprise software and services sector. Prior to co-founding Kestrel in 2009, Oliver spent 20 years advising smaller quoted and unquoted companies, latterly as a director of KBC Peel Hunt Corporate Finance. He was previously a non-executive director of KBC Advanced Technologies plc prior to its takeover by Yokogawa in 2016.

Other appointments

Oliver is a non-executive director of IDOX plc.

On 8 March 2018, London Stock Exchange published AIM Notice 50 outlining corporate governance practices. In accordance with the guidance, the Group has adopted the Quoted Company Alliance's (QCA) Corporate Governance Code for Small and Mid-Sized Quoted Companies.

Principle 1:
Establish a strategy and business model which promote long-term value for shareholders

Following the sale of its RTLS SmartSpace business unit in December 2018, IQGeo continues to develop the Group's activities in a structure that enables it to develop and execute its sales and marketing strategies designed to increase operational productivity across targeted industries through its technology. The myWorld business unit is concentrated on the communications and utilities industries.

The Group is focused on a three-point strategy to achieve the performance goals of the business:

Refocus the business
- Target key industries and top 200 global companies
- Develop customer-driven product roadmaps with subscription products
- Manage out legacy third party product service business

Improve sales execution
- Strengthen go-to-market capabilities and geographic coverage
- Deploy metric-driven CRM and marketing automation resources
- Establish a broader, more consistent business pipeline

Reposition the product portfolio
- Solve enterprise-level business challenges
- Create a modular software architecture addressing known customer pain points
- Communicate the long-term value IQGeo products deliver to customers

Principle 2:
Seek to understand and meet shareholder expectations

The Company maintains a dedicated contact form which is prominently displayed on its website together with the Company's address and phone number for investors to use. The Company holds an Annual General Meeting (AGM) to which all members are invited. During the AGM, time is set aside specifically to allow questions from attending members to any Board member. As the Company is too small to have a dedicated investor relations department, the CEO is responsible for reviewing all communications received from members and determining the most appropriate response, engaging the executive team and Board as needed. In addition to these passive measures, the CEO typically engages with members through investor roadshows held at least twice each year following the release of results.

Principle 3:
Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to members, the Company believes its main stakeholder groups are its employees, suppliers and customers. The Company devotes significant time to understanding and acting on the needs and requirements of each of these groups via meetings dedicated to obtaining feedback.

With regards to corporate social responsibility (CSR), IQGeo is engaged in a range of CSR programmes through corporate activities sponsored by its regional offices. In addition, the Company encourages employees to participate in local activities by giving each employee an annual charity day to volunteer for an organisation of their choice. IQGeo believes that participation in CSR activities is a fundamental responsibility of the Company. It encourages the personal development of employees and greater community integration, which helps contribute to the long-term success of the Company by creating a more experienced, passionate and productive workforce.

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk management on pages 26 to 29 details risks to the business, how these are mitigated and the change in identified risks over the last reporting period.

The Board considers risk to the business at every Board meeting and the risk register is regularly reviewed. The Company formally reviews and documents the principal risks to the business at least annually.

Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance and discuss budgets, forecasts and new risks associated with ongoing trading.

Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. It should be recognised that such systems can only provide reasonable but not absolute assurance against material misstatement or loss. The Directors acknowledge their responsibilities for the Group's system of internal control and for reviewing its effectiveness. The principal features of the system of internal financial controls are:

- budgetary control over all operations, measuring performance against pre-determined targets on at least a monthly basis;
- regular forecasting and reviews covering trading performance, assets, liabilities, cash flows and bank covenants;
- delegated limits of authority covering key financial commitments including capital expenditure and recruitment; and
- identification and management of key business risks.

The Board continually reviews the effectiveness of other internal controls, including financial, operational and compliance controls and risk management.

Principle 5:

Maintain the board as a well-functioning, balanced team led by the chair

The Company is controlled by the Board of Directors. The Board comprises the Non-Executive Chairman, three Non-Executive Directors and two Executive Directors. The Non-Executive Chairman is responsible for the running of the Board and Richard Petti, the Chief Executive, has responsibility for running the Group's business and implementing Group strategy.

The Non-Executive Directors are required to be available to attend Board meetings and to deal with both regular and ad-hoc matters and they are expected to commit sufficient time to fully discharge their responsibilities. All Non-Executive Directors have confirmed and demonstrated that they have adequate time available to meet the requirements of the role and they have no conflicts. Executive Directors work full time in the business and have no other significant outside business commitments.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings.

The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively but will continue to review the composition of the Board regularly.

The Board holds full meetings at least ten times per year, with attendance required in person whenever possible. The principal matters that it considers are as follows:

- reviewing operating and financial performance;
- ensuring that appropriate management development and succession plans are in place;
- determining corporate strategy, including consideration and approval of the Company's annual strategy review;
- establishing dividend policy;
- approving and accepting all new committed funding facilities;
- approving and accepting major changes in the capital structure of the Company;
- reviewing and approving formal treasury policies relating to funding, liquidity, transactional foreign exchange and interest rate risk management;
- reviewing the health and safety and environmental performance of the Group;
- approving corporate acquisitions, mergers, divestments, joint ventures and major capital expenditure; and
- receiving, reviewing and approving recommendations by the designated committee on matters related to audit, nominations and remuneration.

20 Board meetings were held in 2018. Attendance at the meetings was as follows:

	Total meetings attended
Peter Harverson	10 (20)
Paul Taylor	19 (20)
Richard Petti	20 (20)
Tim Gingell	20 (20)
Robert Sansom	17 (20)
Ian Kershaw	14 (20)
Oliver Scott	18 (20)

Figures in brackets denote the maximum number of meetings that could have been attended by that person.

Principle 6:

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Board of Directors has overall responsibility for the Group. Its aim is to provide the leadership and industry-specific insight required to develop a successful business, through utilising the broad range of skills and experience of the Board members.

The Board is satisfied that, between the Directors, it has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. The roles of the Chairman and CEO are split in accordance with best practice. The Chairman has responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. The CEO leads the business and the executive team ensuring that strategic and commercial objectives are met. He is accountable to the Board for the operational and financial performance of the business.

The Nomination Committee of the Board oversees the process and makes recommendations to the Board on all new Board appointments. Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender. The Nomination Committee also considers succession planning.

The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.

Biographical details of all members of the Board are set out on pages 32 and 33 and also on the Company website.

Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Board members are appointed with full consideration of the knowledge and skills that they will contribute to the Board and aligned to the needs of the Company at that time. The Chairman ensures that full consideration of the development of the Board is addressed by reviewing the Board composition annually in consultation with the other Board members. The Board, through its Remuneration Committee, ensures that appropriate annual performance targets are set for Executive Board members.

The Chairman routinely reviews the management and performance of the Board Committees and will address any performance concerns directly with the Chairman of, and/or participants of, that Committee. Over the next twelve months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

Principle 8:

Promote a corporate culture that is based on ethical values and behaviours

The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. These values are reinforced with employees by the management team through annual business review sessions and form the cornerstone of the employee performance review process. The ethical standards at IQGeo are a key factor in the evaluation of individual performance and that of the entire Company.

Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board of IQGeo Group plc currently comprises two Executive Directors, one Non-Executive Chairman and three Non-Executive Directors. For now the Board considers its composition appropriate given the size of the Company, its revenues and profitability.

The key Board roles are as follows:

- **Chairman:** The primary responsibility of the Chairman is to lead the Board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. The Chairman has sufficient separation from the day-to-day business to be able to make independent decisions. The Chairman is also responsible for making sure that the Board agenda concentrates on the key issues, both operational and financial, with regular reviews of the Company's strategy and its overall implementation.
- **CEO:** Charged with the delivery of the business model within the strategy set by the Board. Works with the Chairman and Non-Executive Directors in an open and transparent way. Keeps the Chairman and Board up to date with operational performance, opportunities, risks and other issues to ensure that the business remains aligned with its key objectives.

The Board has three sub-committees as follows:

- **Audit Committee:** See Audit Committee report for further details.
- **Remuneration Committee:** See Remuneration Committee report for further details.

- **Nomination Committee:** The Nomination Committee will consider the selection and re-appointment of Board members.

The Nomination Committee has responsibility for the following matters:

- reviewing the size and composition of the Board to ensure that an appropriate mix of skills, knowledge and experience is achieved;
- succession planning for the Board and other key management roles;
- identifying and recommending to the Board candidates to fill Board vacancies;
- ensuring Non-Executive Directors are able to make the necessary time commitments to fulfil their role;
- ensuring Non-Executive Directors receive letters of appointment, detailing their responsibilities; and
- making recommendations to the Board about the appointment, removal or continuation in office of any Director.

During the period under review, the Committee has met twice on a formal basis. The Committee is expected to meet formally twice a year. A summary of Nomination Committee composition and attendance is as follows:

	Nomination Committee
Peter Harverson	1 (2)
Robert Sansom (Chair)	2 (2)
Paul Taylor	2 (2)

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with other relevant stakeholders

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and the one-to-one meetings with existing and prospective shareholders.

Audit Committee

The Audit Committee consists of two independent Non-Executive Directors, who between them have a balance of financial experience and business knowledge. There were no changes to the Committee membership during the year.

During the period under review, the Committee has met four times on a formal basis. The Committee is expected to meet formally four times a year.

The timing of meetings allows the Audit Committee to consider the external auditor's planned approach to the half-year interim review and full-year audit of the Annual Report. The Committee discusses the auditor's findings ahead of financial statements being approved for release. When appropriate, non-Committee members are invited to attend, including the Chief Financial Officer and members of the finance team.

A summary of Committee composition and attendance is as follows:

	Audit Committee
Paul Taylor	4 (4)
Ian Kershaw	4 (4)

The Audit Committee has responsibility for the following matters:

Financial reporting

- review of all financial reports released to the market and shareholders, to ensure that reports provide a fair and balanced review to shareholders with clear disclosure to provide an understandable view of performance;
- review of significant reporting issues and key judgments; and
- review of accounting policies selected and their application to ensure compliance with reporting standards and that they are consistently applied.

External audit

- recommending appointment, re-appointment or removal of the external auditor;
- overseeing the Group's relationship with the external auditor, including assessing its independence; and
- agreeing the annual audit plan and reviewing the findings and effectiveness of the audit.

Whistleblowing

- review of the Group's whistleblowing policies and procedures.

Internal control

- review the adequacy and effectiveness of the internal control and risk management systems.

Activities of the Committee during the year

The Audit Committee has met with both the auditor and internal management during the year and discussed the following key matters:

- accounting and audit approach to the reorganisation of the Group and the subsequent disposal of the RTLS SmartSpace legal entities on 31 December 2018;
- adoption of IFRS 15 Revenue from Contracts with Customers effective 1 January 2018, the appropriateness of revenue recognition policies and application of the standard to prior periods;
- the impact and application of the early adoption of IFRS 16 Leases effective 1 January 2018, including the adequacy of disclosure within the financial statements;
- the resolution of significant accounting judgments or matters raised by the external auditor during the course of its half-year review and annual statutory audit. These key matters are stated within the external auditor's report included within this Annual Report;
- the external auditor's report on any deficiencies in the internal controls of the Group identified during the statutory audit. IQGeo Group plc does not have an internal audit function and believes that given the size of the business, this remains appropriate; and
- assessment of the independence of the external auditor. As part of this review, the Committee monitors the provision of non-audit services by the external auditor. An analysis of non-audit services is disclosed in note 9 to the financial statements. The non-audit services charged by Grant Thornton in 2018 relate to the review of half-year results and the provision of tax advisory services supporting the group reorganisation and disposal of the RTLS SmartSpace business. The Audit Committee were satisfied that safeguards are adequately observed to ensure no issues arise impacting upon the auditor's independence.

The Audit Committee has satisfied itself that the key areas discussed above have been addressed appropriately within the Annual Report.

Directors' remuneration report

The Remuneration Committee has responsibility for the following matters:

- agreeing the framework for the Group's remuneration policy for Directors and key management personnel, including determining individual remuneration policies for Executive Directors;
- approving the design and targets for short and long-term incentive plans;
- approval of the Group's share option plans for all participants;
- determining the policy and scope of pension arrangements;
- ensuring contractual terms and payments made on termination are fair to both the individual and the Group; and
- agreeing the policy for authorising expense claims by the Chairman and Chief Executive.

The Committee aims to set levels of remuneration for Executive Directors that are sufficient to attract, retain and motivate directors of the quality required, without paying more than necessary, and that are appropriate for the size and complexity of the Group. It aims to see that a significant proportion of each Executive Director's remuneration package is performance related.

During the period under review, the Committee has met twice on a formal basis. The Committee is expected to meet formally twice a year.

The Remuneration Committee comprises of Ian Kershaw, Paul Taylor and Oliver Scott who are Non-Executive Directors of the Company.

Oliver Scott who is not an independent Director, sits on the Remuneration Committee. The Board acknowledge that this is not considered best practice but feel that it is appropriate for the scale and structure of the Group at this stage given his knowledge, experience and ability to represent interests of investors in general.

A summary of Committee composition and attendance is as follows:

	Remuneration Committee
Paul Taylor	2 (2)
Ian Kershaw	2 (2)
Oliver Scott (Chair)	2 (2)

In February 2019, Oliver Scott was appointed Chair of the Remuneration Committee, replacing Paul Taylor who remains on the Committee.

Remuneration practice overview

The Committee believes in pay for performance and that Executive Directors' remuneration should be designed to promote the long-term success of the Group.

When reviewing and setting remuneration policy, the Committee benchmarks remuneration against quoted companies of a similar size and considers a range of factors including the Group's strategy and circumstances, the prevailing economic environment and best practice guidelines. The policy must also enable IQGeo Group plc to attract, retain and motivate the talent it needs to ensure success.

The remuneration of the Non-Executive Directors is determined by the Executive Directors and the Chairman, rather than the Committee.

Remuneration of Executive Directors

The Executive Directors are entitled to receive base salary, benefits and employer pension contributions and to participate in share option schemes approved by the Remuneration Committee.

The appointment of the Chief Executive Officer and Chief Financial Officer is terminable on six months' notice by either party.

Base salary

Base salaries are reviewed annually and adjustments made if required to reflect Group performance, individual performance and market rates. Remuneration is through the Group's flexible benefits scheme under which the individuals can elect to switch basic salary into pension contributions and other benefits.

Benefits

The Group offers benefits to all employees including life assurance and healthcare solutions, appropriate to each of the markets in which it operates.

Bonuses

Executive Directors are eligible to participate in an annual bonus programme, which is calculated by reference to the annual financial and operational targets including orders, revenue, operating cash flow (excluding working capital) and goal-driven objectives.

Pensions

The Group operates defined contribution personal pension schemes appropriate to each of the markets in which it operates. Under the UK scheme rules the Group pays a matched contribution of up to 5% of base salary as adjusted for current pension legislation. The scheme is open to Executive Directors and employees.

Remuneration of Non-Executive Directors

The Non-Executive Directors have entered into letters of appointment with the Company. The appointments are terminable on one month's notice by either party. The Non-Executive Directors, including the Non-Executive Chairman, may participate in the Group's pension scheme.

The appointment of the Non-Executive Chairman is terminable on six months notice by either party.

Directors' remuneration

The Directors received the following remuneration during the year:

Director	Basic salary £'000	Benefits in kind £'000	Performance payments £'000	2018 total excluding pensions £'000	Pensions £'000	Total 2018 £'000	Total 2017 £'000
Richard Petti[1]	**210**	**3**	**156**	**369**	**37**	**406**	299
Tim Gingell[2]	**151**	**2**	**91**	**244**	**9**	**253**	181
Executive Directors	**361**	**5**	**247**	**613**	**46**	**659**	480
Paul Taylor[3]	**46**	**—**	**—**	**46**	**—**	**46**	25
Peter Harverson	**71**	**—**	**—**	**71**	**7**	**78**	145
Robert Sansom[4]	**—**	**—**	**—**	**—**	**—**	**—**	—
Ian Kershaw[5]	**21**	**—**	**—**	**21**	**—**	**21**	25
Oliver Scott	**20**	**—**	**—**	**20**	**—**	**20**	20
Non-Executive Directors	**158**	**—**	**—**	**158**	**7**	**165**	215
Total	**519**	**5**	**247**	**771**	**53**	**824**	695

1 The performance related payments of Richard Petti include £125,000 relating directly to the completion of the RTLS SmartSpace business unit disposal. Additionally, Richard Petti is entitled to a performance related bonus of up to £125,000.

2 The performance related payments of Tim Gingell include £62,500 relating directly to the completion of the RTLS SmartSpace business unit disposal. Additionally, Tim Gingell is entitled to a performance related bonus of up to £50,000.

3 In April 2018, Paul Taylor's base remuneration increased from £25,000 to £35,000 per annum after becoming the Remuneration Committee Chairman. From September 2018, Paul Taylor's base remuneration increased to £75,000 when he became acting Non-Executive Chairman.

4 Robert Sansom has waived his entitlement to annual remuneration of £25,000 (2017: £25,000 waived).

5 In April 2018, Ian Kershaw's remuneration reduced from £25,000 to £20,000 per annum after stepping down from being the Remuneration Committee Chairman.

Share options

The Company issues share options to the Executive Directors and employees to reward performance and to align interests with those of the shareholders.

The aggregate emoluments disclosed above within Directors' remuneration does not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors.

On 14 December 2016, IQGeo Group plc implemented a long-term incentive share option plan for Executive Directors and key management. As participants in the new share scheme, the Company granted 3,150,000 options of 2 pence each in the Company to the Executive Directors with an exercise price set at the nominal value. The options will vest if the Company's share price exceeds 70 pence for 60 consecutive days between the second and third anniversary of issue and the period of employment continues for over three years.

Director	Award date Year	Vests Years	Expires Year	Exercise price £	Awards outstanding at 1 January 2018 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	**Awards outstanding at 31 December 2018 Number**	Awards exercisable at 31 December 2017 Number
Peter Harverson	2010	2011–13	2020	0.14	91,333	—	—	—	**91,333**	91,333
	2016	2019	2026	0.02	850,000	—	—	—	**850,000**	—
					941,333	—	—	—	**941,333**	91,333
Richard Petti	2016	2019	2026	0.02	1,600,000	—	—	—	**1,600,000**	—
Tim Gingell	2016	2019	2026	0.02	700,000	—	—	—	**700,000**	—
Total					3,241,333	—	—	—	**3,241,333**	91,333

Following his resignation from the Board, Peter Harverson exercised 91,333 options at 14 pence per share on 25 February 2019. These shares were immediately sold, resulting in a gain of £36,000.

Directors' report

The Directors present their annual report on the affairs of the Group together with the audited financial statements for the year to 31 December 2018. The Corporate governance statement set out on pages 34 to 37 forms part of this report.

Incorporation and constitution

IQGeo Group plc is domiciled in England and incorporated in England and Wales under company number 05589712. IQGeo Group plc's Articles of Association are available on the Group's website at www.iqgeo.com.

Principal activity

Going forward, the Group will be focused on its Geospatial operations. The Geospatial business 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 RTLS SmartSpace business unit was sold on 31 December 2018 and is presented as discontinued operations within this report. The RTLS SmartSpace business unit will continue trading under the Ubisense brand. The principal activity of the RTLS SmartSpace business unit was the provision of location solutions which enabled customers to create a real-time digital twin of their physical operations. The RTLS SmartSpace business unit takes real-time location data from SmartSpace sensing hardware, or from standards based integration with third party hardware, and transforms this data using SmartSpace software into high value spatial event information, delivering highly reliable, automatic, adaptive asset identification, precise real-time location and spatial-monitoring to provide meaningful insights that help businesses make smarter decisions. The main customer base of the RTLS business unit is the automotive and aerospace manufacturing industry, however the technology is transferable to other sectors including defence and transportation industries.

Business review and key performance indicators

The Group's results are set out in the Consolidated income statement on page 51 and are explained in the Chief Financial Officer's statement on pages 22 to 25. A detailed review of the business, its results and future direction is included in the Non-Executive Chairman's statement on pages 4 and 5.

Capital structure

The Company has one class of ordinary share of 2 pence each which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

Details of the share capital of the Company, including shares issued during the year, can be found in note 23 of the consolidated financial statements.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 24.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles of Association themselves may be amended by special resolution of the shareholders.

Substantial shareholdings

On 10 April 2019, the Company had been notified of the following significant interests in its ordinary share capital:

	Total holding Number	% of issued share capital
Kestrel Partners	**19,045,493**	25.98%
Columbia Threadneedle Investments	**13,980,154**	19.07%
Robert Sansom	**6,235,899**	8.51%
NFU Mutual Insurance Society Ltd	**4,326,490**	5.90%
Canaccord Genuity Group Inc	**4,164,853**	5.68%
Richard Griffiths and family	**3,961,113**	5.40%
Old Mutual Global Investors	**2,538,221**	3.46%
Janus Henderson Investors	**2,495,000**	3.40%

Directors

The Directors serving at 31 December 2018 were as follows:

Peter Harverson
Paul Taylor
Riccardo (Richard) Petti
Timothy (Tim) Gingell
Robert Sansom
Ian Kershaw
Oliver Scott

Board changes

Peter Harverson resigned as Non-Executive Chairman and member of the Board on 13 February 2019, and was succeeded by Paul Taylor as Non-Executive Chairman.

Directors' interests – shares

Directors' interests in the ordinary shares of IQGeo Group plc at 31 December 2018 were as follows:

	2018 Number	2017 Number
Peter Harverson	**223,286**	223,286
Richard Petti	**78,125**	78,125
Tim Gingell	**86,875**	86,875
Robert Sansom	**6,235,899**	6,235,899
Paul Taylor	**191,459**	191,459
Ian Kershaw	**2,000**	2,000
Total	**6,817,644**	6,817,644

Oliver Scott has no direct interest in the ordinary shares of IQGeo Group plc but is a partner with the significant shareholder Kestrel Partners.

On 16 April 2018 Kestrel Partners LLP sold, on behalf of its discretionary clients, 1,600,000 ordinary shares of the Company. The sale was made in response to demand from an institutional investor that wanted to acquire a stake in the Company. The price achieved was 45p per share.

The Directors consider that there is no party that represents a person who has significant control over the Group. Despite Kestrel holding greater than 25% of the shares of the Group, the Directors reached this conclusion having considered the ownership structure of Kestrel Partners and control of voting rights.

There has been no change in the Directors' interests set out above between 31 December 2018 and 10 April 2019.

Directors' interests

Details of Directors' remuneration and share options are provided in the Directors' remuneration report on pages 39 and 40. There are no loans to or from the Directors.

Directors' indemnity arrangements

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

Financial instruments

Principle financial risks and mitigating activities have been set out within the Strategic report. Additionally, note 28 to the financial statements provides further details in respect of credit risk, market risk and liquidity risk.

Research and development

During the year, the Group has been active in the development of software in respect of the continuing Geospatial operations as well as development of software and hardware products for the discontinued RTLS SmartSpace business. In the opinion of the Directors, continuity of the investment in software development is essential for the long-term growth of the business. The Board regularly reviews the myWorld product roadmap to ensure its competitiveness.

Going concern review

The Board has considered the going concern position of the Group which is discussed further in note 3 to the financial statements.

Post-balance sheet events

There are no post balance sheet events to report.

Dividends

The Directors do not recommend payment of a dividend for the year (2017: £nil).

Auditor

A resolution to re-appoint Grant Thornton UK LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting. In accordance with normal practice, the Directors will be authorised to determine the auditor's remuneration.

Approved by the Board of Directors and signed on behalf of the Board.

Tim Gingell
Chief Financial Officer and Company Secretary
10 April 2019

IQGeo Group plc

Registered number: 05589712

Directors’ responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland). Under company law the Directors must not approve the financial statements unless they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Directors have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report
to the members of IQGeo Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of IQGeo Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, Company balance sheet, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

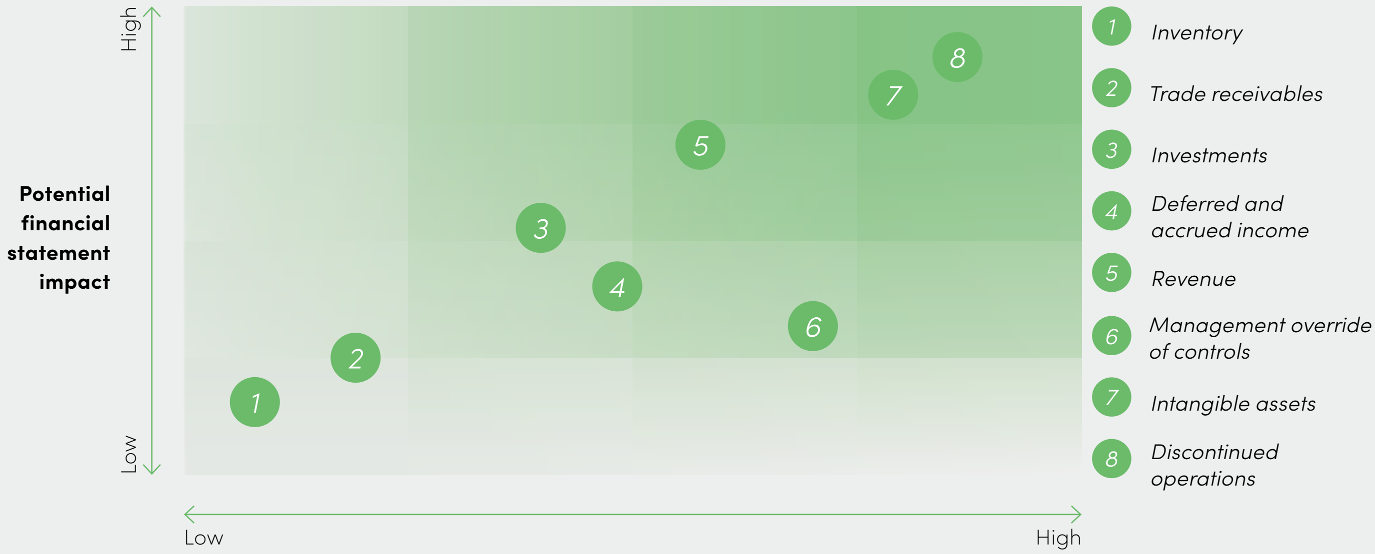
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £330,000, which represents 1.3% of the Group's revenues, including that relating to discontinued activities
- We performed full scope procedures at IQGeo Group plc and Ubisense Limited; targeted procedures on IQGeo America Inc., IQGeo Solutions Canada Inc, Ubisense GmbH, Ubisense Inc (Japan) and Ubisense Japan K.K. and analytical procedures were performed for all other components
- Key audit matters were identified as:
  - improper recognition of revenue due to fraud;
  - capitalisation of intangible development costs may not be appropriate;
  - carrying value of capitalised development costs may not be appropriate; and
  - the disposal of discontinued operations.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgment.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 1 – Improper recognition of revenue due to fraud Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The Group has recognised revenues of £25.5m (2017: £27.3m) in the year including discontinued operations. During the year the Group was organised into two divisions (RTLS SmartSpace and Geospatial). The nature of the Group's revenue includes sales of hardware, software, maintenance and support, labour and installation services. Revenue recognition is therefore dependent upon identifying the relevant distinct performance obligation and ensuring the correct revenue is allocated. Contractual agreements with existing customers will generally be to provide one of the elements on a standalone basis but new deployments also include a combination of the above elements. The Group has applied IFRS 15 'Revenue from Contracts with Customers' for the first time within the 2018 financial statements which has required consideration of the detail within contracts. As the Group's revenue is material to the financial statements and comprises distinct performance obligations, revenue recognition is considered to be a significant risk of material misstatement.	We completed an assessment of revenue recognition policies for consistency and compliance with IFRS 15 'Revenue from Contracts with Customers'. We performed substantive testing on each of the revenue streams within the two divisions, RTLS SmartSpace and Geospatial: for a sample of transactions we obtained contract and sales order details and our testing over each performance obligation was as noted below: **Hardware** – agreeing to signed contracts and shipping documentation to ensure occurrence. **Software** – agreeing to customer confirmation of receipt of access to new licences, or purchase orders for renewed licences. **Maintenance and support** – obtaining purchase orders, recalculating revenue recognised and checking the appropriateness of any deferred income at the year end. **Labour and installation services** – agreeing to signed contracts or purchase orders; tracing a sample of time booked to revenue to timesheets, subcontractor invoices or other supporting documentation. Recalculation of any deferred or accrued income balances recognised and comparison against invoices and other supporting documentation.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 1 – Improper recognition of revenue due to fraud continued	Other audit work included, but was not restricted to: • analytical procedures over revenue in total disaggregated by revenue stream, operating segment, location and month (month by month analysis of current year against prior year revenue) to identify and analyse key movements and significant transactions which have occurred in the year; • obtaining explanations and corroborating evidence for key movements and significant transactions identified. The Group's accounting policy on revenue recognition is disclosed in note 3 to the financial statements and related disclosures are included in note 5. ***Key observations*** We did not identify any issues in the application of IFRS 15. Our audit work did not identify any material misstatements in the occurrence of revenue recognised during the year or any instances of revenue not being recognised in accordance with stated accounting policies.
Risk 2 – Capitalisation of intangible development costs may not be appropriate Under IAS 38 'Intangible Assets', development costs must be capitalised if the recognition criteria are met, including determining whether the project provides a future economic benefit to the Group. During the year, the Group capitalised £1.7m (2017: £1.6m) of development costs in relation to various projects. The capitalisation of these costs includes judgments and assumptions in determining whether the projects will provide future economic benefit to the Group and be financially viable. The level of judgment involved leads to a risk that these criteria may not be met. Due to the judgments and the materiality of the balance, the capitalisation of intangible development costs has been identified as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing product development activities alongside the qualifying nature of the projects, including obtaining an understanding from management of the details of projects capitalised and assessing whether they relate to additional functionality, to ensure that capitalisation is in accordance with the recognition criteria under IAS 38; • recalculating the mathematical accuracy of recording of capitalised amounts; • agreeing amounts capitalised to supporting evidence including timesheets. The Group's accounting policy on intangible assets is shown in note 3 to the financial statements and related disclosures are included in note 12. ***Key observations*** Our testing did not identify any material misstatements in capitalisation of intangible development costs in accordance with IAS 38. Intangibles capitalised were found to be in accordance with stated accounting policies.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 3 – Carrying value of capitalised development costs may not be appropriate There is a risk, given fast-moving technology, that the developed product could become obsolete and will not be supported by future cash flows so that development assets may be impaired. The net book value of capitalised development costs at the year end amounted to £1.2m (2017: £2.7m), including amortisation charged on capitalised development costs of £1.8m (2017: £2.2m). Intangibles with a carrying value of £1.5m were sold as part of the disposal of Ubisense Limited. Capitalised development costs are amortised by the Group to ensure the capitalised cost reflects the anticipated benefit of the development project to the Group over time. In accordance with IAS 36 'Impairment of Assets' an annual review is required to assess whether there is any indication that assets may be impaired. Due to the financial performance of the Group, an impairment review has been performed by management to determine whether the carrying value of these assets is appropriate. The impairment review is based on identifiable assets for which future revenues and gross margins can be assigned to calculate a value in use based on a discounted cash flow model. Management's assessment of the potential impairment of the Group's development costs incorporates key assumptions over the timing and extent of future revenues, gross margin and the discount rate used. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we therefore identified the impairment of the carrying value of capitalised development costs as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing the amortisation policy applied against capitalised development costs for consistency with prior year and determination of the useful economic life; • comparing projects against which amounts are capitalised to the net present value calculations produced by management, based on future income generation the technology is expected to realise; • recalculating the mathematical accuracy of the impairment models; • testing the accuracy of management's estimates used in the net present value calculations by comparing the 2018 budgeted sales and gross profit to the results achieved for the year and performing sensitivity analysis of expected revenue for 2019 onwards; • performing additional sensitivity analysis relating to the valuation of intangible assets, specifically around the discount rate; • evaluating of the information included in the impairment models to ensure consistent with our knowledge of the business through reviewing trading plans and discussions with Management. The Group's accounting policy on intangible assets is disclosed in note 3 to the financial statements and related disclosures are included in note 12. ***Key observations*** Our testing did not identify any material misstatements in the carrying value of the capitalised development costs. There were no additional reasons for impairment of intangible assets or additional factors to consider that would impact the carrying value of intangible assets recognised within the financial statements. We found no material errors in the calculations.
Risk 4 – Disposal of discontinued operations On 31 December 2018 the Group completed the sale of the RTLS SmartSpace business for consideration of up to £35 million. Due to the complexity and timing of the transaction there is a risk that this transaction and the associated discontinued operations are not appropriately reflected within the financial statements. Due to the nature and amount involved we identified the disposal of the RTLS SmartSpace business and the associated disclosures as one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • inspecting the sale agreement in order to identify key terms of the transaction and how they may impact the accounting treatment, in particular the profit recognised on disposal; • examining and challenging the judgments in determining the discontinued operations and recognition of earn out consideration; • evaluating the disclosures within the financial statements for consistency with accounting standards. The Group's accounting policy on the disposal is disclosed in note 3 to the financial statements and related disclosures are included in note 6. ***Key observations*** Our testing did not identify any material misstatements in the recognition of the RTLS SmartSpace disposal and we found no material errors in the calculations or disclosures.

We did not identify any Key Audit Matters relating to the audit of the financial statements of the parent company.

Our application of materiality

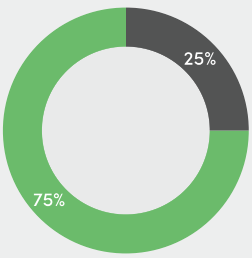
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

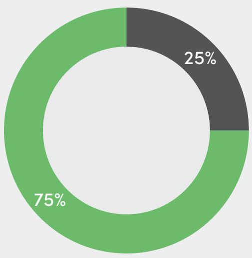
Materiality measure	Group	Parent
Financial statements as a whole	£330,000 which is 1.3% of total Group revenue, including revenue including that relating to discontinued activities, excluding rental income for the year. This benchmark is considered the most appropriate because the Group is a commercially focused organisation but generating an operating loss. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 using the same basis.	£248,000 which is 0.5% of expected total assets restricted to Group performance materiality. This benchmark is considered the most appropriate because the Parent Company does not generate revenues or profits and holds investments in subsidiaries. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2017 using the same basis.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for directors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.	We also determine a lower level of specific materiality for directors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	£16,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



Tolerance for potential uncorrected misstatements

Performance materiality

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included the following considerations:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the Group's total assets, revenues and profit before taxation;
- full scope audit procedures were performed on IQGeo Group plc and Ubisense Limited; targeted procedures were performed on IQGeo America Inc., Ubisense GmbH, IQGeo Solutions Canada Inc, Ubisense Inc (Japan) and Ubisense Japan K.K., and analytical procedures performed for all other components;
- component auditors were used to complete audit procedures for Ubisense GmbH, Ubisense Inc (Japan) and Ubisense Japan K.K. The Group audit team sent Group instructions to the component auditors as to the required procedures to be completed over the significant areas for Group purposes within each component. The Group audit team reviewed the underlying audit working papers for these significant areas;
- the total percentage coverage of full-scope and targeted procedures over the Group's revenue was 100%;
- the total percentage coverage of full scope and targeted procedures over the Group's total assets was 96%; and
- our audit approach in the current year is consistent with the audit approach adopted for the year ended 31 December 2017 being substantive in nature.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement on page 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

10 April 2019

Consolidated income statement

for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	5	**9,979**	16,459
Cost of revenues		**(5,599)**	(10,088)
Gross profit		**4,380**	6,371
Operating expenses		**(5,971)**	(5,944)
Operating (loss)/profit		**(1,591)**	427
Analysed as:			
Gross profit		**4,380**	6,371
Other operating expenses		**(5,446)**	(4,602)
Adjusted EBITDA		**(1,066)**	1,769
Depreciation	13, 14	**(273)**	(46)
Amortisation and impairment of other intangible assets	12	**(774)**	(807)
Share option expense	24	**(248)**	(237)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**151**	(252)
Non-recurring items	9	**619**	—
Operating (loss)/profit		**(1,591)**	427
Finance income	8	**1**	3
Finance costs	8	**(14)**	—
(Loss)/profit before tax		**(1,604)**	430
Income tax	10	**(39)**	31
(Loss)/profit from continuing operations		**(1,643)**	461
Profit/(loss) from discontinued operations	6	**21,485**	(3,534)
Profit/(loss) for the year		**19,842**	(3,073)
Profit/(loss) attributable to:			
Equity shareholders of the Company		**19,842**	(3,055)
Non-controlling interest		**—**	(18)
Profit/(loss) for the year		**19,842**	(3,073)
Profit/(loss) per share – continuing operations			
Basic	11	**(2.2p)**	0.8p
Diluted	11	**(2.2p)**	0.8p

The notes on pages 56 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit/(loss) from continued operations	**(1,643)**	461
Profit/(loss) from discontinued operations	**21,485**	(3,534)
Profit/(loss) for the year	**19,842**	(3,073)
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	**(50)**	(33)
Reclassification to income statement for discontinued operations	**216**	—
Total comprehensive profit/(loss) for the year	**20,008**	(3,106)
Attributable to:		
Equity shareholders of the Company	**20,008**	(3,067)
Non-controlling interest	**—**	(39)
Total comprehensive profit/(loss) for the year	**20,008**	(3,106)

The notes on pages 56 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2018

	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 2017	1,118	41,554	823	(2,025)	(32,192)	9,278	473	9,751
Loss for the year	—	—	—	—	(3,055)	(3,055)	(18)	(3,073)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	—	—	—	(12)	—	(12)	(21)	(33)
Total comprehensive loss for the year	—	—	—	(12)	(3,055)	(3,067)	(39)	(3,106)
Reserve credit for equity-settled share-based payment	—	—	316	—	—	316	—	316
Issue of new share capital	344	—	—	—	—	344	—	344
Premium on new share capital	—	5,158	—	—	—	5,158	—	5,158
Share issue costs	—	(337)	—	—	—	(337)	—	(337)
Transactions with owners	344	4,821	316	—	—	5,481	—	5,481
Balance at 31 December 2017	1,462	46,375	1,139	(2,037)	(35,247)	11,692	434	12,126
IFRS 15 adjustment	—	—	—	—	(13)	(13)	—	(13)
Adjusted balance at 31 December 2017	1,462	46,375	1,139	(2,037)	(35,260)	11,679	434	12,113
Profit for the year	—	—	—	—	19,842	19,842	—	19,842
Recycled translation reserve	—	—	—	216	—	216	—	216
Exchange difference on retranslation of net assets and results of overseas subsidiaries	—	—	—	(50)	—	(50)	—	(50)
Total comprehensive profit for the year	—	—	—	166	19,842	20,008	—	20,008
Lapse of share options	—	—	(725)	—	725	—	—	—
Reserve credit for equity-settled share-based payment	—	—	303	—	—	303	—	303
Acquisition of non-controlling interest	—	—	—	—	282	282	(434)	(152)
Transactions with owners	—	—	(422)	—	1,007	585	(434)	151
Balance at 31 December 2018	**1,462**	**46,375**	**717**	**(1,871)**	**(14,411)**	**32,272**	**—**	**32,272**

The notes on pages 56 to 89 are an integral part of these consolidated financial statements.

Consolidated statement of financial position
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Intangible assets	12	**1,235**	2,962
Property, plant and equipment	13	**84**	493
Right-of-use assets	14	**304**	–
Investments	15	**2,000**	–
Total non-current assets		**3,623**	3,455
Current assets			
Inventories	16	**–**	1,459
Trade and other receivables	17	**3,586**	10,544
Cash and cash equivalents	18	**30,915**	9,114
Total current assets		**34,501**	21,117
Total assets		**38,124**	24,572
Liabilities			
Current liabilities			
Trade and other payables	19	**(5,080)**	(9,110)
Current tax liabilities		**(232)**	(101)
Lease obligation	20	**(232)**	–
Bank loans	21	**–**	(750)
Total current liabilities		**(5,544)**	(9,961)
Non-current liabilities			
Deferred income tax liabilities	10	**(231)**	(516)
Trade and other payables		**–**	(40)
Lease obligation	20	**(77)**	–
Bank loans	21	**–**	(1,750)
Other payables	22	**–**	(179)
Total non-current liabilities		**(308)**	(2,485)
Total liabilities		**(5,852)**	(12,446)
Net assets		**32,272**	12,126
Equity attributable to owners of the parent company			
Ordinary share capital	23	**1,462**	1,462
Share premium	23	**46,375**	46,375
Share-based payment reserve	24	**717**	1,139
Translation reserve		**(1,871)**	(2,037)
Retained earnings		**(14,411)**	(35,247)
Equity attributable to shareholders of the Company		**32,272**	11,692
Non-controlling interests		**–**	434
Total equity		**32,272**	12,126

The notes on pages 56 to 89 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 10 April 2019 and signed on its behalf by:

Richard Petti
Chief Executive Officer

Tim Gingell
Chief Financial Officer

IQGeo Group plc
Registered Number: 05589712

Consolidated statement of cash flows
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
(Loss)/gain before tax from continuing operations		**(1,604)**	430
Loss before tax from discontinued operations		**(824)**	(3,564)
Loss before tax from operating activities		**(2,428)**	(3,134)
Adjustments for:			
Depreciation	13, 14	**1,081**	417
Amortisation and impairment	12	**2,025**	2,435
Loss on the disposal of property, plant and equipment		**14**	2
Revaluation of intercompany balances		**(151)**	252
Share-based payment charge		**303**	316
Gain on sale of Japan business		**(619)**	—
Finance income		**(8)**	(8)
Finance costs		**156**	87
Operating cash flows before working capital movement		**373**	367
Change in inventories		**198**	(395)
Change in receivables		**2,012**	2,678
Change in payables		**(2,071)**	987
Cash generated from operations before tax		**512**	3,637
Net income taxes received/(paid)		**407**	(14)
Net cash flows from operating activities		**919**	3,623
Cash flows from investing activities			
Payment of contingent consideration		**—**	(197)
Purchases of property, plant and equipment		**(316)**	(140)
Expenditure on intangible assets		**(1,844)**	(1,813)
Cash received on sale of the RTLS SmartSpace business unit		**28,882**	—
Cash in RTLS SmartSpace business unit at disposal		**(2,313)**	—
Disposal costs in relation to the RTLS SmartSpace business unit		**(704)**	—
Sale of Japan Geospatial third party services business		**569**	—
Interest received		**8**	8
Net cash flows from investing activities		**24,282**	(2,142)
Cash flows from financing activities			
Repayment of borrowings		**(2,500)**	(750)
Interest paid		**(73)**	(110)
Payment of lease liability		**(743)**	—
Purchase of non-controlling interest		**(152)**	—
Proceeds from the issue of ordinary share capital		**—**	5,165
Net cash flows from financing activities		**(3,468)**	4,305
Net increase in cash and cash equivalents		**21,733**	5,786
Cash and cash equivalents at start of period		**9,114**	3,498
Exchange differences on cash and cash equivalents		**68**	(170)
Cash and cash equivalents at end of period	18	**30,915**	9,114

The notes on pages 56 to 89 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

IQGeo Group plc ("the Company") and its subsidiaries (together, "the Group") delivers enterprise location intelligence solutions that enable our customers to create a real-time digital twin of their physical operations. The principal activity going forward will relate to the Geospatial business (presented as continuing operations within the consolidated income statement), following the sale of the Group's RTLS SmartSpace business unit on 31 December 2018 (presented as discontinued operations within the consolidated income statement).

The Geospatial business 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 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 value of IQGeo Group plc shares, as quoted on the London Stock Exchange at 31 December 2018, was 67.5 pence per share (31 December 2017: 45.0 pence).

The Company was incorporated as Ubisense Trading Limited on 11 October 2005 and changed its name to Ubisense Group plc on 31 May 2011 ahead of its initial public offering and listing on AIM on 22 June 2011. Following the sale of its RTLS SmartSpace business unit the Company changed its name to IQGeo Group plc on 2 January 2019 with its subsidiaries also changing name to IQGeo. The address of its registered office is CB1 Business Centre, 20 Station Road, Cambridge CB1 2JD.

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 Group legally consists of six subsidiary companies headed by IQGeo Group plc. A full list of subsidiaries is given in note 26 of the financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 10 April 2019.

2 New accounting standards

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 2018. There are no standards in issue and not yet adopted that will have a material impact on the financial statements.

New standards adopted as at 1 January 2018

The Group has adopted the following new accounting pronouncements as follows:

- IFRS 9 Financial Instruments (effective date financial year commencing on/after 1 January 2018);
- IFRS 15 Revenue from Contracts with Customers (effective date financial year commencing on/after 1 January 2018); and
- IFRS 16 Leases (effective date financial year commencing on/after 1 January 2019). The Group have elected to adopt IFRS 16 'Leases' from 1 January 2018.

IFRS 9

IFRS 9 Financial Instruments is the new accounting standard covering classification and measurement for financial instruments and introduces a new expected credit loss model for impairment of financial assets.

The Group does not enter into hedging arrangements or hold bonds, debentures, or other complex financial assets.

For trade and other receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

In adopting IFRS 9, no differences in respect of the measurement and impairment of financial assets has been identified for prior periods and accordingly no restatement of prior periods or adjustments to retained earnings have been applied.

Consideration received for the disposal of the RTLS SmartSpace business on 31 December 2018 unit included £2 million equity investment in Abyssinian Topco Limited. As the investment was recognised at fair value on initial recognition as at the 31 December 2018, no further adjustment has been made to the value of the asset in preparing the financial statements. However, in future periods this investment will be measured at fair value through other comprehensive income as disclosed within note 3.

2 New accounting standards continued

New standards adopted as at 1 January 2018 continued

IFRS 15

IFRS 15 Revenue from Contracts with Customers has replaced IAS 18 Revenue.

The new standard is applicable from 1 January 2018. IFRS 15 introduces a number of new concepts and requirements relating to revenue recognition and also provides guidance and clarification on existing practice. The new standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

In applying IFRS 15, hardware and certain software revenues within the discontinued RTLS SmartSpace business unit are deferred until the customer is in control of both the hardware and software components provided by the Group.

The revenue recognition policies of the continuing Geospatial operations are largely unaffected by the adoption of IFRS 15.

The conclusion of management's assessment of the adoption of IFRS15 on contracts which were incomplete as at 1 January 2018 is as follows:

- In applying IFRS 15 to contracts which were incomplete as at 1 January 2018, revenue of £15,000 which had been previously reported within the 2017 financial year would have been deferred into the year ended 31 December 2018 due to the timing of delivery of hardware within the RTLS SmartSpace division.
- Hardware costs of £3,000 associated with RTLS SmartSpace contracts which were incomplete as at 1 January 2018 would be deferred into the year ended 31 December 2018.
- No adjustment has been made to defer the incremental costs of obtaining customer contracts, such as commission payments, as these costs would be amortised over a period of one year or less. Management has applied the practical expedient permitted under IFRS 15 in reaching this conclusion.
- As a result of these adjustments, £12,000 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. Within the results for the year ended 31 December 2018, revenues have increased £15,000 and the cost of revenues has increased by £3,000.

The Group's revenue policies under IFRS 15 are presented within note 3 to the financial statements.

IFRS 16

IFRS 16 Leases will replace IAS 17 and three related interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. The consolidated statement of comprehensive income will be impacted through reduced operating expenses, and higher depreciation and finance costs. The new standard is applicable from 1 January 2019 with an option to adopt it early.

The Group has early adopted IFRS 16 effective from 1 January 2018.

The Group's accounting policies under IFRS 16 are as follows:

The policy applies to properties and cars where the Group has substantially all of the economic benefits from use of the asset. On adoption of the standard, a right-of-use asset and lease liability has been created.

The right-of-use asset is depreciated over the lease term and if necessary impaired in accordance with applicable standards. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 New accounting standards continued

New standards adopted as at 1 January 2018 continued

IFRS 16 continued

The standard allows two options for adoption – fully retrospective and modified retrospective. The Group has elected to take the modified retrospective approach. As a result of this the Group has:

- recognised a lease liability at 1 January 2018 for leases previously classified as operating leases applying IAS 17. The Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application;
- recognised a right-of-use asset at 1 January 2018 for leases previously classified as operating leases applying IAS 17. The Group has chosen to measure right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position as at 31 December 2017; and
- 2017 comparatives are left unchanged, and any opening adjustment to net assets was recognised on 1 January 2018.

The modified retrospective approach also allows a number of practical expedients which the Group has made use of:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics, being 3.5%; and
- reliance on an assessment of whether a lease is onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review using the principles in IAS 36 Impairment of Assets.

As noted above, no comparatives are given for the adoption of IFRS 16. The Group has calculated that the right-of-use asset recognised and corresponding liability as at 1 January 2018 is £3.0 million.

The lease commitments as at 1 January 2018 were as follows:

	Land and buildings £'000	Other £'000	Total £'000
No later than one year	681	94	775
Less than one year and no later than five years	1,513	10	1,523
Later than five years	982	—	982
Total	3,176	104	3,280

The opening lease liability is reconciled to the table of lease commitments as follows:

	Total £'000
Lease commitment as at 1 January 2018	3,280
Interest to be unwound over the lease term	(381)
Dilapidations liability recognised on adoption of IFRS 16	103
Opening lease liability and right-of-use asset at 1 January 2018	3,002

The impact on adoption within the results reported as continued operations for the twelve months ended 31 December 2018 is as follows:

- finance costs have increased by £14,000 due to interest charges on the lease liability;
- depreciation expense has increased by £0.2 million due to depreciation of the right-of-use asset;
- EPS has not changed; and
- adjusted EBITDA has improved by £0.2 million due to reduction of rental expense.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of IQGeo Group plc have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRSs. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The preparation of these financial statements in conformity with IFRSs requires the Directors to make certain critical accounting estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Going concern basis

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the Strategic report and Directors' report on pages 1 to 42.

In determining the basis for preparing the consolidated financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the consolidated financial statements.

As part of the sale of the RTLS SmartSpace business unit, the Group repaid its outstanding loan balance of £1.75 million on 31 December 2018. The Group has no further loans.

Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. The forecasts include assumptions regarding the opportunity funnel from both existing and new clients, growth plans, risks and mitigating actions. In particular operating cash flow and profitability are highly sensitive to revenue mix and the positive contribution of continuing growth in software sales.

In reaching their going concern conclusion, the Directors have considered the following points:

- the Group had cash of £30.9 million, with nil bank debt as at 31 December 2018 and has sufficient working capital to continue operations; and
- 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 the consolidated financial statements.

Consolidation

The Group financial statements include the results, financial position and cash flows of the Company and all of its subsidiary undertakings. Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control arises when the Company has the power to govern the financial and operating policies of an entity, uses this power to affect the returns from that entity and has exposure to variable returns from its investment in the entity.

Co-terminus financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Businesses acquired or disposed during the year are accounted for using acquisition method principles from, or up to, the date control passed. Intra-group transactions and balances are eliminated on consolidation. All subsidiaries use uniform accounting policies for like transactions and other events and similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of combination.

3 Summary of significant accounting policies continued

Foreign currencies

a. Functional and presentation currency

The functional currency of each Group entity is the currency of the primary economic environment in which each entity operates. The consolidated financial statements are presented in GBP.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency of each Group entity using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the period-end date. Such exchange differences are included in the income statement within "operating expenses". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

c. Consolidation

For the purpose of presenting consolidated financial statements, the results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency other than GBP are translated into GBP as follows:

- assets and liabilities for each statement of financial position are translated at the exchange rate at the period-end date;
- income and expenses for each income statement are translated at the exchange rate ruling at the time of each period the transaction occurred; and
- all resulting exchange differences are recognised in other comprehensive income.

Business reporting

IFRS 8 requires a "management approach" under which information in the financial statements is presented on the same basis as that used for internal management reporting purposes.

The Group is organised on a global basis for its Geospatial business following the sale of its RTLS SmartSpace business unit on 31 December 2018. The Directors believe that the Chief Operating Decision Maker (CODM) is the Chief Executive Officer of the Group. The CODM and the rest of the Board are provided with information on the Geospatial business to assess the financial performance of, and allocate resources to, the Geospatial business and central resources.

The internal management accounting information is prepared on an IFRS basis but has a non-GAAP "adjusted EBITDA" as the primary measure of profit and this is reported on the face of the income statement.

Revenue recognition

Geospatial business unit – continuing operations

Software

Revenue earned from myWorld software sales under perpetual licence agreements with maintenance and support is recognised when the software is made available to the customer for use. Revenue earned from myWorld software sold as a subscription is recognised over the period of the contract, which is generally one year, commencing from when the software is available for use.

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 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.

Services

Services revenue includes consultancy, installation of hardware 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 on 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 income statement.

3 Summary of significant accounting policies continued

Revenue recognition continued

Geospatial business unit – continuing operations continued

Timing of payment

Maintenance and support 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) relate to amounts invoiced in advance of services performed under the contract.

RTLS SmartSpace business unit – discontinued operations

Software

SmartSpace operates as standalone software that can be used to identify and manage assets in real time through the collection of data. Smartspace integrates with our own hardware or can be used alongside third party products. Smartspace software is sold under a perpetual licence arrangement and is recognised when the software is made available to the customer for use. Additionally, the Group sells software that is required to allow our own hardware to operate. Accordingly, this software licence is only sold alongside hardware. Revenue is recognised at the point that the software has been made available to the customer and as the associated hardware becomes under the control of the customer, which is generally on delivery to the customer's premises.

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.

Hardware

Revenue is recognised at the point that the hardware supplied becomes under the control of the customer. This is generally on delivery to the customer's premises.

Services

Services revenue includes consultancy, installation of hardware 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 on 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 income statement.

Timing of payment

Maintenance and support 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) relate to amounts invoiced in advance of services performed under the contract.

Employee benefits

a. Retirement benefits

The Group operates various defined contribution pension arrangements for its employees.

For defined contribution pension arrangements, the amount charged to the income statement represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

b. Share-based payments

The Group issues equity-settled share-based payments to certain employees. Vesting conditions are continuing employment and can include, for senior employees, a diluted EPS performance target or share price target. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate pricing model. The fair value is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity in the share-based payment reserve, based on the Group's estimate of the number of shares that will eventually vest.

3 Summary of significant accounting policies continued

Non-recurring items

Non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material one-off items of income or expense that have been shown separately due to the significance of their nature or amount and do not reflect the ongoing cost base or revenue-generating ability of the Group.

Interest income and expense

Interest income and expense is included in the income statement on a time basis, using the effective interest method by reference to the principal outstanding.

Tax

The tax charge or credit comprises current tax payable and deferred tax:

a. Current tax

The current tax charge represents an estimate of the amounts payable or receivable to or from tax authorities in respect of the Group's taxable profits and is based on an interpretation of existing tax laws. Taxable profit differs from profit before tax as reported in the income statement because it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible. Taxation received is recognised only when it is probable that the Group is entitled to the asset.

b. Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are always provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax is recognised as a component of tax expense in the income statement, except where it relates to items charged or credited directly to other comprehensive income or equity when it is recognised in other comprehensive income or equity.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their provisional fair values at the acquisition date.

Fair values are reassessed during the measurement period and updated if required. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the net fair value of the assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses.

3 Summary of significant accounting policies continued

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is only capitalised if all of the following conditions are met:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Internally-generated intangible assets, consisting mainly of direct labour costs, are amortised on a straight-line basis over their useful economic lives. Amortisation is shown within administrative expenses in the income statement. The estimated useful lives of current development projects are three years. Upon completion the assets are subject to impairment testing.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets

Intangible assets that are purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised on a straight-line basis over their useful economic life which is typically three years.

Acquired intangible assets

Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Amortisation is shown within operating expenses in the income statement. All acquired intangibles were fully amortised or impaired as at 31 December 2017 and 2018.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to the income statement so as to write off the cost or valuation less estimated residual values over their expected useful lives on a straight-line basis over the following periods:

- Fixtures and fittings: three to ten years or period of the lease if shorter.
- Computer equipment: three years.

Residual values and useful economic lives are assessed annually. The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in operating expenses.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested at least annually for impairment and whenever there is an indication that the asset may be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognised immediately in profit or loss.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is reversed, it is reversed to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3 Summary of significant accounting policies continued

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)

Assets in this category are measured at fair value with gains or losses recognised directly in equity. The cumulative gain or loss arising from changes in fair value, impairment or sale is not recycled to the consolidated income statement. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Investments

As part of the sale transaction of the RTLS business unit on 31 December 2018, the Group holds a rollover equity investment in Abyssinian Topco Limited (registered number: 11649721) which following the transaction, is the parent company of the RTLS SmartSpace business unit.

The Group has made the irrevocable election to account for the investment in Abyssinian Topco Limited at fair value through other comprehensive income (FVOCI). In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

3 Summary of significant accounting policies continued

Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the actual cost of third party components and labour, and is applied on a first in, first out basis. Net realisable value is based on estimated selling price less additional cost to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate and are recognised as an expense in the period in which the write-down or loss occurs.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in the profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

All borrowing costs are recognised in the income statement in the period they are incurred.

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The nominal value of shares issued is classified as share capital and the amounts paid over the nominal value in respect of share issues, net of related costs, is classified as share premium.

Share-based payment reserve

The share-based payment reserve relates to a cumulative charge made in respect of share options granted by the Company to the Group's employees under its employee share option plans.

3 Summary of significant accounting policies continued

Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency of GBP are recognised directly in other comprehensive income and accumulated in the translation reserve.

Retained earnings

Retained earnings include all current and prior period retained profits/losses.

Non-controlling interests

Non-controlling interests, presented as part of equity, represent a proportion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the assets of the parent and the non-controlling interests based on their respective ownership interests.

4 Critical accounting judgments and key sources of estimation and uncertainty

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are the judgments made by management in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgment of the point at which technical and commercial feasibility is demonstrable. The carrying amount of capitalised development costs at 31 December 2018 is £1.2 million (2017: £2.7 million). After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Revenue recognition

Significant management judgment is applied in determining the distinct performance obligations included within contracts involving multiple deliverables. Additionally, for each identified significant performance obligation management are required to determine which obligations meet the criteria to recognise revenue over time.

Deferred tax

A deferred tax asset is recognised where the Group considers it probable that future tax profits will be available against which the tax credit will be utilised in the future. This specifically applies to tax losses and to outstanding vested share options at the statement of financial position date. In estimating the amount of the deferred tax asset that should be recognised, the Directors make judgments based on current budgets and forecasts about the amount of future taxable profits and the timings of when these will be realised. No deferred tax asset is currently recognised.

Recognition of earn-out consideration

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 million roll over investment and further £3.0 million earn-out consideration.

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.
- 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. 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 minority shareholder.

4 Critical accounting judgments and key sources of estimation and uncertainty continued

Estimating uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Amortisation and impairment of development costs

Capitalised development costs are amortised over a three years period which is management's estimate of the useful lives of current development projects. In reaching this conclusion, management have made assumptions in respect of future customer requirements and developments within the industry. These estimates have a high level of uncertainty and are in respect of matters outside of managements control.

The Group tests capitalised development costs for impairment annually in accordance with the accounting policy stated in note 3. In performing the impairment review, management is required to make assumptions of the future cash flows generated from the myWorld products. This includes consideration of both the current business pipeline and estimations beyond the existing pipeline. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Revenue recognition

As revenue from fixed price services agreements is recognised over time, the amount of revenue recognised in a reporting period depends on the extent to which the performance obligation has been satisfied. This requires an estimate of the quantity of the services to be provided, based on historical experience with similar contracts. In a similar way, recognising revenue requires the estimated number of hours required to complete the promised work.

5 Segment information

5.1 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 business 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 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 6.

5.2 Revenue by type of the continuing operations

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

	2018		2017	
Revenue of continuing Geospatial operations	**£'000**	**% of total revenue**	£'000	% of total revenue
Software	**1,395**	**14%**	2,575	16%
Maintenance and support	**918**	**9%**	750	5%
Services	**2,424**	**24%**	2,459	15%
Total revenue generated from myWorld products	**4,737**	**47%**	5,784	35%
Geospatial services from third-party products	**5,242**	**53%**	10,675	65%
Total revenue	**9,979**	**100%**	16,459	100%

Software includes £1.2 million (2017: £2.4 million) from perpetual software licences recognised at a point in time. All other revenue is recognised as services are transferred over time.

5 Segment information continued

5.3 Geographical areas of continuing and discontinued 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. Non-current assets are allocated based on their physical location.

The following table represents the group's continuing operational revenue and non-current assets by geographical region:

	Revenue		Non-current assets	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
UK	**—**	1	**3,252**	1,142
Germany	**14**	2,842	**1**	—
Europe other	**3**	7	**—**	—
USA	**7,041**	8,300	**364**	66
Canada	**1,596**	2,783	**4**	3
Japan	**1,302**	2,496	**2**	33
Asia Pacific other	**—**	18	**—**	—
Rest of world	**23**	12	**—**	—
	9,979	16,459	**3,623**	1,244

2018 revenues include £1.4 million from income deferred at the beginning of the period (2017: £1.9 million) relating to performance obligations satisfied overtime.

The following table represents the group's discontinued operational revenue and non-current assets by geographical region:

	Revenue		Non-current assets	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
UK	**426**	271	**3,268**	1,991
Germany	**4,571**	5,350	**411**	29
Europe other	**1,640**	850	**2**	5
USA	**7,313**	2,783	**122**	114
Canada	**137**	71	**—**	—
Japan	**956**	1,049	**147**	72
Asia Pacific other	**455**	168	**—**	—
Rest of world	**21**	254	**—**	—
	15,519	10,796	**3,950**	2,211

2018 revenues include £1.0 million from income deferred at the beginning of the period (2017: £0.4 million) relating to performance obligations satisfied overtime.

5.4 Information about major customers of the continuing operations

During 2018, the Group had one customer who generated revenues of greater than 10% of total Geospatial revenue. £3.1 million was generated from one US customer.

During 2017, the Group had three customers who generated revenues of greater than 10% of total Geospatial revenue. £3.2 million was generated from one US customer, £2.8 million was generated from one European customer, and £2.4 million was generated from one Canadian customer.

6 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 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.
- 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. 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.

6.1 Income statement for the year ended 31 December 2018

	2018 £'000	2017 £'000
Revenue	**15,519**	10,796
Cost of revenues	**(7,402)**	(6,310)
Gross profit	**8,117**	4,486
Operating expenses	**(8,804)**	(7,968)
Operating profit/(loss)	**(687)**	(3,482)
Analysed as:		
Gross profit	**8,117**	4,486
Other operating expenses	**(6,204)**	(5,890)
Adjusted EBITDA	**1,913**	(1,404)
Depreciation	**(808)**	(371)
Amortisation and impairment of other intangible assets	**(1,251)**	(1,628)
Share option expense	**(55)**	(79)
Reorganisation costs	**(486)**	—
Operating loss	**(687)**	(3,482)
Finance income	**7**	5
Finance costs	**(144)**	(87)
Loss before tax	**(824)**	(3,564)
Income tax	**(57)**	30
Loss from discontinued operations prior to gain on disposal	**(881)**	(3,534)
Gain on disposal of the RTLS SmartSpace business unit	**22,366**	—
Profit/(loss) from discontinued operations	**21,485**	(3,534)

6 Discontinued operations continued

6.1 Income statement for the year ended 31 December 2018 continued

The gain on disposal of the RTLS SmartSpace business unit discontinued operations is summarised as follows:

	2018 £'000
Consideration received or receivable:	
Cash received on 31 December 2018 (as presented within the statement of consolidated cash flows)	**28,882**
Roll over investment in RTLS SmartSpace business unit	**2,000**
Amounts receivable on finalisation of completion accounts	**846**
Total disposal consideration	**31,728**
Consideration used to settle HSBC debt on 31 December 2018	**(1,753)**
Carrying value of net assets sold	**(4,804)**
Transaction costs incurred	**(1,888)**
Accrued bonuses in respect of the transaction completion	**(701)**
Gain on sale before income tax and reclassification of foreign currency reserve	**22,582**
Reclassification of foreign currency reserve	**(216)**
Gain on disposal of the RTLS SmartSpace business unit	**22,366**

6.2 Cash flows from discontinued operations

	2018 £'000	2017 £'000
Net cash (outflow)/inflow from operating activities	**(599)**	2,037
Net cash inflow/(outflow) from investing activities:		
Purchase of property, plant and equipment	**(245)**	(116)
Expenditure on intangible assets	**(985)**	(1,064)
Cash received on sale of the RTLS SmartSpace business unit	**28,882**	—
Cash in RTLS SmartSpace business unit at disposal	**(2,313)**	—
Disposal costs in relation to the RTLS SmartSpace business unit	**(704)**	—
Interest received	**7**	5
Total net cash outflow from investing activities:	**24,642**	(1,175)
Net cash inflow/(outflow) from financing activities:		
Repayment of bank debt	**(2,500)**	(750)
Repayment of lease liability	**(518)**	—
Interest paid	**(71)**	(110)
Total net cash outflow from financing activities:	**(3,089)**	(860)

6 Discontinued operations continued

6.3 Effect of the disposal on the consolidated statement of financial position

The carrying amount of the assets and liabilities of the RTLS SmartSpace business unit as at 31 December 2018 was as follows:

Statement of financial position of the discontinued operations	2018 £'000
Assets	
Intangible assets	**1,525**
Property, plant and equipment	**510**
Right-of-use assets	**1,915**
Inventories	**1,261**
Trade and other receivables	**3,932**
Amounts recoverable on contracts	**1,697**
Cash and cash equivalents	**2,313**
Total assets	**13,153**
Liabilities	
Trade and other payables	**(5,078)**
Deferred income	**(350)**
Lease obligation	**(2,132)**
Current tax liability	**(405)**
Deferred income tax liabilities	**(249)**
Other payables	**(135)**
Total liabilities	**(8,349)**
Net assets	**4,804**

7 Employee information

7.1 Employee numbers

The number of employees at the end of the period was as follows:

	Actual number of people as at 31 December		Average monthly number of people	
	2018 Number	2017 Number	2018 Number	2017 Number
Continuing operations	**59**	83	**67**	78
Discontinued operations	**61**	55	**62**	61
	120	138	**129**	139

Employee numbers continuing operations

The average monthly number of people, including Executive Directors, employed by the Group during the year was:

	Actual number of people as at 31 December		Average monthly number of people	
By activity	2018 Number	2017 Number	2018 Number	2017 Number
Technical consultants	**24**	44	**30**	45
Sales and marketing	**18**	22	**20**	18
Research and development	**7**	7	**7**	6
Administration	**10**	10	**10**	9
	59	83	**67**	78

By geography	2018 Number	2017 Number	2018 Number	2017 Number
United Kingdom	**15**	16	**16**	14
Europe	**1**	2	**1**	2
Americas	**40**	44	**41**	41
Asia	**3**	21	**9**	21
	59	83	**67**	78

7 Employee information continued

7.1 Employee numbers continued

Employee numbers discontinued operations

The average monthly number of people employed by the Group during the year was:

By activity	Actual number of people as at 31 December 2018 Number	Actual number of people as at 31 December 2017 Number	Average monthly number of people 2018 Number	Average monthly number of people 2017 Number
Technical consultants	**17**	11	**17**	14
Sales & marketing	**20**	19	**19**	20
Research & development	**13**	13	**13**	14
Administration	**11**	12	**13**	13
	61	55	**62**	61

By geography	2018 Number	2017 Number	2018 Number	2017 Number
United Kingdom	**25**	23	**26**	26
Europe	**17**	18	**18**	19
Americas	**11**	6	**10**	8
Asia	**8**	8	**8**	8
	61	55	**62**	61

7.2 Employee benefits

Employee benefits of continuing operations

The aggregate employee benefit expense, including Executive Directors, comprised:

	Notes	2018 £'000	2017 £'000
Wages and salaries		**6,395**	7,052
Social security costs		**482**	575
Contributions to defined contribution pension arrangements		**288**	270
Share-based payments	24	**248**	237
Total aggregate employee benefits		**7,413**	8,134

Employee benefits of discontinued operations

The aggregate employee benefit expense comprised:

	Notes	2018 £'000	2017 £'000
Wages and salaries		**5,636**	4,539
Social security costs		**518**	551
Contributions to defined contribution pension arrangements		**401**	314
Share-based payments	24	**55**	79
Total aggregate employee benefits		**6,610**	5,483

8 Finance income and costs

Continued operations only	2018 £'000	2017 £'000
Interest income from cash and cash equivalents	**1**	3
Finance income	**1**	3
Interest expense for lease arrangements	**(14)**	–
Finance costs	**(14)**	–
Net finance costs	**(13)**	3

9 Loss before tax: analysis of expenses by nature

9.1 Expenses by nature of continuing operations

The following items have been charged/(credited) to the income statement in arriving at a gain before tax:

	Notes	2018 £'000	2017 £'000
Amortisation and impairment of other intangible assets		**774**	807
Depreciation of owned property, plant and equipment		**57**	46
Depreciation of right-of-use assets		**216**	—
Operating lease rental charges – land and buildings		**—**	219
Research & development costs expensed		**95**	47
Net foreign currency (gains)/losses		**(89)**	(102)
Unrealised foreign exchange (gains)/losses on intercompany trading balances		**(151)**	252
Non-recurring items	9.2	**619**	—

9.2 Non-recurring items from continuing operations

The following item is associated with the sale on 30 March 2018 of the Group's Japan third party geospatial services 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. Geoplan Company Limited has been renamed IQGeo Japan K.K.

	2018 £'000	2017 £'000
Sale of Japan Geospatial third party services business	**619**	—
Total non-recurring items	**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.

9.3 Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2018 £'000	2017 £'000
Fees payable to the Group's auditor for the audit of:		
Parent company and consolidated financial statements	**59**	39
Financial statements of subsidiaries, pursuant to legislation	**70**	72
Total audit fees	**129**	111
Fees payable to the Group's auditor for other services:		
Tax compliance	**7**	30
Tax advisory associated with the group reorganisation	**179**	—
Audit related assurance services	**14**	14
Other services	**—**	2
Total non-audit fees	**200**	46
Total auditor's remuneration	**329**	157

The auditor of IQGeo Group plc is Grant Thornton UK LLP, covering both continuing and discontinued operations.

10 Income tax

10.1 Income tax recognised in the income statement

	2018 £'000	2017 £'000
Current tax – continuing operations		
Corporation tax	—	—
Adjustment in respect of prior year	(213)	—
Foreign tax	238	12
Total current tax charge	25	12
Deferred tax – continuing operations		
Origination and reversal of temporary differences	14	(43)
Total deferred tax charge/(credit)	14	(43)
Total income tax charge/(credit) for the year – continuing operations	39	(31)

	2018 £'000	2017 £'000
Current tax – discontinued operations		
Corporation tax	—	—
Adjustment in respect of prior year	(300)	—
Foreign tax	407	93
Total current tax charge	107	93
Deferred tax – discontinued operations		
Origination and reversal of temporary differences	(50)	(123)
Total deferred tax credit	(50)	(123)
Total income tax charge/(credit) for the year – discontinued operations	57	(30)
Total income tax charge/(credit) for the year	96	(61)

The tax credit differs from the standard rate of corporation tax in the UK for the year of 19% (2017: 19.3%) for the following reasons:

	2018 £'000	2017 £'000
Loss before tax – continuing operations	(1,604)	430
Gain before tax from discontinued operations	21,542	(3,564)
Total gain before tax	19,938	(3,134)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.0% (2017: 19.3%)	3,788	(605)
Tax effects of:		
Expenses not deductible for tax purposes	75	131
Income not subject to income tax	(2,138)	—
Utilisation of previously unrecognised tax losses	(1,987)	(82)
Unrecognised deferred tax movements	256	429
Tax unprovided in prior years	15	106
Research and development tax credits – prior years	(513)	—
Difference on tax treatment of share options – unrecognised	57	60
Differential on overseas tax rates	543	(100)
Total income tax debit/(credit)	96	(61)

10 Income tax continued

10.2 Factors that may affect future tax charges

The Group has tax losses of £8.7 million (2017: £24.5 million) that are available for offset against future taxable profits of those subsidiary companies in which the tax losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and they have arisen in subsidiaries whose future taxable profits are uncertain. No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries, because the earnings are continually reinvested by the Group and no tax is expected to be payable on them in the foreseeable future.

The deferred tax balances have been measured at the local rate of realisation expected, which in the UK is 19%.

10.3 Deferred tax

The movement in deferred tax in the consolidated statement of financial position during the year is as follows:

	Deferred income tax assets		Deferred income tax liabilities	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
At 1 January	**—**	—	**(516)**	(683)
Deferred tax credited to the income statement	**—**	—	**349**	403
Deferred tax charged to the income statement	**—**	—	**(313)**	(236)
Disposal of RTLS SmartSpace business unit	**—**	—	**249**	—
At 31 December	**—**	—	**(231)**	(516)

The components of deferred tax included in the consolidated statement of financial position are as follows:

	2018 £'000	2017 £'000
Development costs capitalised	**(231)**	(516)
Total deferred income tax liabilities	**(231)**	(516)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits:

	2018 £'000	2017 £'000
Tax losses carried forward	**1,549**	5,637
Equity-settled share options temporary differences	**33**	19
Total unrecognised deferred tax assets	**1,582**	5,656

11 Earnings per share (EPS)

	2018	2017
Earnings attributable to Ordinary Shareholders		
Gain/(loss) from continuing operations	**(1,643)**	461
Gain/(loss) from discontinued operations	**21,485**	(3,516)
Gain/(loss) from continuing and discontinued operations	**19,842**	(3,055)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	**73,088**	58,479
Effect of dilutive potential ordinary shares:		
– Share options ('000)	**257**	215
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	**73,345**	58,694
Continuing operations EPS		
Basic and diluted EPS (pence)	**(2.2)**	0.8
Discontinued operations EPS		
Basic and diluted EPS (pence)	**29.4**	(6.0)
Continuing and discontinued operations EPS		
Basic and diluted EPS (pence)	**27.1**	(5.2)

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 or in respect of discontinued 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	Notes	2018	2017
Continued earnings for the purposes of diluted EPS, being net loss attributable to equity holders of the parent company (£'000)		**(1,643)**	461
Adjustments:			
Reversal of share-based payments charge (£'000)	24	**248**	237
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**(151)**	252
Reversal of non-recurring items (£'000)	9	**(619)**	—
Net adjustments (£'000)		**522**	489
Adjusted earnings (£'000)		**(2,165)**	950
Adjusted diluted EPS from continuing operations (pence)		**(3.0)**	1.6

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.

12 Intangible assets

	Goodwill £'000	Acquired customer relationships and order backlog £'000	Acquired software products £'000	Capitalised product development costs £'000	Software £'000	Total £'000
Cost						
At 1 January 2017	8,805	2,240	650	14,353	1,246	27,294
Exchange difference	—	—	—	—	(69)	(69)
Additions	—	—	—	1,583	230	1,813
At 31 December 2017	8,805	2,240	650	15,936	1,407	29,038
Exchange difference	—	—	—	—	85	85
Additions	—	—	—	1,650	194	1,844
Disposal of RTLS SmartSpace business unit	(3,256)	—	—	(11,139)	(355)	(14,750)
Disposal of Japan Geospatial services business	(2,579)	(2,240)	(650)	—	(403)	(5,872)
Disposal – other	—	—	—	—	(906)	(906)
At 31 December 2018	**2,970**	**—**	**—**	**6,447**	**22**	**9,439**
Accumulated amortisation						
At 1 January 2017	(8,805)	(2,240)	(650)	(11,010)	(973)	(23,678)
Effects of movement in exchange rates	—	—	—	—	37	37
Charge for the year	—	—	—	(2,210)	(225)	(2,435)
At 31 December 2017	(8,805)	(2,240)	(650)	(13,220)	(1,161)	(26,076)
Effects of movement in exchange rates	—	—	—	—	(79)	(79)
Charge for the year	—	—	—	(1,839)	(186)	(2,025)
Disposal of SmartSpace business unit	3,256	—	—	9,825	144	13,225
Disposal of Japan Geospatial services business	2,579	2,240	650	—	376	5,845
Disposal – other	—	—	—	—	906	906
At 31 December 2018	**(2,970)**	**—**	**—**	**(5,234)**	**—**	**(8,204)**
Net book amount						
At 31 December 2018	**—**	**—**	**—**	**1,213**	**22**	**1,235**
At 31 December 2017	—	—	—	2,716	246	2,962

Capitalised product development costs relate to expenditure that can be applied to a plan or design for the production of new or substantial improvements to RTLS SmartSpace and myWorld products. On 31 December 2018 the RTLS SmartSpace business unit was disposed of and the remaining capitalised product development costs relate entirely to the myWorld products. The Group is loss making and this is an indicator for potential impairment of development costs. Management has completed impairment reviews through estimating the future discounted cash flows to be generated from these assets and concluded that no impairment is required as the cash flows exceeded the carrying value of the asset.

On 30 March 2018, the Group concluded the sale of its Japanese third party geospatial services business including the Geoplan brand name. The disposal of the business included historic and fully written down goodwill, acquired customer relationships and acquired software products.

The remaining average amortisation period for capitalised product development costs is two years.

The software assets represent assets purchased from third parties.

13 Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2017	834	1,216	2,050
Effect of movements in exchange rates	(9)	(19)	(28)
Additions	30	110	140
Disposals	(122)	(15)	(137)
At 31 December 2017	733	1,292	2,025
Effect of movements in exchange rates	19	29	48
Additions	214	102	316
Disposal of RTLS SmartSpace business unit	(760)	(864)	(1,624)
Disposals – other	—	(383)	(383)
At 31 December 2018	**206**	**176**	**382**
Accumulated depreciation			
At 1 January 2017	(295)	(1,010)	(1,305)
Effect of movements in exchange rates	3	52	55
Charge for the year	(221)	(196)	(417)
Elimination on disposals	122	13	135
At 31 December 2017	(391)	(1,141)	(1,532)
Effect of movements in exchange rates	(15)	(35)	(50)
Charge for the year	(117)	(95)	(212)
Disposal of RTLS SmartSpace business unit	343	771	1,114
Disposals – other	—	382	382
At 31 December 2018	**(180)**	**(118)**	**(298)**
Net book amount			
At 31 December 2018	**26**	**58**	**84**
At 31 December 2017	342	151	493

14 Right-of-use assets

The Group has early adopted IFRS 16 effective from 1 January 2018 and has recognised a right-of-use assets for leases previously classified as operating leases applying IAS 17.

Details of the Group's right-of-use assets and their carrying amount are as follows:

	2018 £'000
Cost	
Opening right-of-use asset recognised on adoption of IFRS 16	**3,002**
Effect of movements in exchange rates	**—**
Additions	**63**
Disposal of RTLS SmartSpace business unit	**(2,563)**
Cost at 31 December 2018	**502**
Depreciation	
Effect of movements in exchange rates	**23**
Charge for the year	**(869)**
Disposal of RTLS SmartSpace business unit	**648**
Depreciation at 31 December 2018	**(198)**
Net book amount	
At 31 December 2018	**304**

15 Investments

At 31 December 2018, the Groups holds a rollover investment in Abyssinian Topco Limited as part of the consideration for the sale transaction 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 RTLS SmartSpace business unit.

	£'000
Investment as at 31 December 2017	—
Investment in Abyssinian Topco Limited	2,000
Investment as 31 December 2018	**2,000**

IQGeo Group plc holds approximately 5.6% of the ordinary share capital of Abyssinian Topco Limited.

16 Inventories

	2018 £'000	2017 £'000
Raw materials	**—**	414
Finished goods	**—**	1,045
Total inventories	**—**	1,459

Inventory recognised as an expense was £2.8 million in 2018 (2017: £2.4 million) and is included within discontinued operations.

At 31 December 2017 the balance included £0.6 million impairment provision. As at 31 December 2018 the inventory was disposed of within the sale of the RTLS SmartSpace business.

17 Trade and other receivables

	Notes	**2018 £'000**	2017 £'000
Trade receivables, gross		**1,535**	7,663
Allowances for expected credit losses	17.1	**—**	(1,460)
Trade receivables, net	17.2	**1,535**	6,203
Amounts recoverable on contracts		**610**	2,666
Other receivables		**915**	275
Prepayments		**485**	933
Corporation tax recoverable		**—**	4
VAT and taxation receivable		**41**	463
Total trade and other receivables		**3,586**	10,544

All amounts disclosed are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

The above comparative for impairment provisions refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

Amounts recoverable on contracts as at 31 December 2018 has reduced from the prior period due to the disposal of the RTLS SmartSpace business unit on 31 December 2018. The disposal balance sheet of the RTLS SmartSpace business unit includes £1.7 million relating to amounts recoverable on contracts as disclosed within note 6.3.

The following disclosures are in respect of trade receivables that are either impaired or past due. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations, and are assessed on a customer-by-customer basis following detailed review of the particular circumstances. To the extent they have not been specifically provided against, the trade receivables are considered to be of sound credit rating.

17 Trade and other receivables continued

17.1 Movement in allowance for expected credit losses

	2018 £'000	2017 £'000
At 1 January	**(1,460)**	(2,151)
Exchange differences	**(25)**	50
Amounts recovered in the year	**204**	519
Amounts written off in the year	**—**	217
Allowance released	**42**	30
Provided debts disposed of on 31 December 2018	**1,239**	—
Allowance made	**—**	(125)
At 31 December	**—**	(1,460)

As at 31 December 2017, the allowance includes £1,326,000 in respect of amounts owed by two entities in the Asia Pacific region. These debts were disposed of as part of the sale of the RTLS SmartSpace business unit on 31 December 2018.

17.2 Ageing of past due but not impaired receivables

	2018 £'000	2017 £'000
Neither past due nor impaired	**1,533**	4,784
Past due but not impaired:		
0 to 90 days overdue	**2**	1,084
More than 90 days overdue	**—**	335
Total	**1,535**	6,203

18 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	**30,915**	9,114
Cash and cash equivalents	**30,915**	9,114

Included in the above figure is an amount of £27.1 million held on account with the Company's lawyers following the completion of the sale of the RTLS SmartSpace business unit. The funds meet the IAS 7 definition of cash being short-term, highly liquid investments and readily convertible into known amounts of cash. Cash held on account with the Company's lawyers was transferred to the IQGeo GBP bank account on 2 January 2019.

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. Short-term cash deposits earn interest at fixed rates for the term of the deposit.

The composition of cash and cash equivalents by currency is as follows:

By currency	2018 £'000	2017 £'000
British Pound (GBP)	**29,076**	4,474
Euro (EUR)	**—**	1,829
US Dollar (USD)	**1,030**	1,693
Japanese Yen (JPY)	**5**	480
Canadian Dollar (CAD)	**804**	638
Cash and cash equivalents	**30,915**	9,114

19 Trade and other payables

	2018 £'000	2017 £'000
Deferred income	**913**	2,386
Trade payables	**2,175**	3,040
Trade accruals	**1,734**	2,840
Other taxation and social security	**214**	768
Other payables	**44**	76
Total trade and other payables	**5,080**	9,110

All amounts disclosed are short term. The carrying value of trade payables is considered a reasonable approximation of fair value.

Deferred income as at 31 December 2018 has reduced from the prior period partially due to the disposal of the RTLS SmartSpace business unit on 31 December 2018. The disposal balance sheet of the RTLS SmartSpace business unit includes £0.4 million relating to deferred income as disclosed within note 6.3.

20 Lease obligation

The Group has early adopted IFRS 16 effective from 1 January 2018 and has recognised a lease liability at 1 January 2018 for leases previously classified as operating leases applying IAS 17. The Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

Details of the Group's liability in respect of right-of-use assets and their carrying amount are as follows:

	2018 £'000
Opening lease liability recognised on adoption of IFRS 16	**3,002**
Effect of movements in exchange rates	**23**
New leases entered into during the year	**63**
Finance costs incurred	**96**
Payments made during the year	**(743)**
Disposal of RTLS SmartSpace business unit	**(2,132)**
At 31 December 2018	**309**
Presented as:	
Lease liability payable within 1 year	**232**
Lease liability payable in more than 1 year	**77**
At 31 December 2018	**309**

21 Bank loans

In October 2016, an £8.0 million HSBC working capital facility was restructured, becoming a £4.0 million repayment loan with £0.75 million repayable each year. £0.75 million of this facility was repaid in each of December 2016, December 2017 and 1 January 2018.

This loan was secured on the fixed and floating assets of the Group, attracted an interest charge of LIBOR + 3% and was subject to an operating covenant linked to "operating cash flow" performance (profit or loss before tax adding back any non-recurring items, finance costs, foreign exchange costs, share-based payments, depreciation, amortisation or capitalisation of product development). Following the placing in November 2017, the terms of the operating covenant were amended as follows: 2017 – from nil to £2 million negative; 2018 – from £1 million positive to £2 million negative; 2019 – from £1 million positive to £1 million negative, 2020 and beyond – remained at £1 million positive.

On 31 December 2018, the debt and all outstanding interest in respect of the debt was fully settled and the bank's security was released. The Group has no other bank debt.

22 Other payables

	2018 £'000	2017 £'000
Property provisions	—	179
Total other payables	**—**	**179**

The property provision is a dilapidation provision to restore the UK offices to their original state. On 31 December 2018, the UK lease was held by the RTLS SmartSpace business and so the provision is no longer required following the sale of that business.

23 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Total £'000
Balance at 1 January 2017	55,883,154	1,118	41,554	42,672
Issued under share-based payment plans	17,250	—	2	2
Issued on placing to institutional shareholders	17,187,500	344	4,819	5,163
Change in year	17,204,750	344	4,821	5,165
Balance at 31 December 2017 and 31 December 2018	**73,087,904**	**1,462**	**46,375**	**47,837**

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

24 Share-based payments: options

24.1 Equity-settled share-based payment arrangements

The Group operates a number of plans to award options over shares in the Company to incentivise high performing key employees of the Group periodically.

Other than the December 2016 share option award set out in note 24.4, the options generally vest evenly over three years on the anniversary from the date of the grant or entirely on the third anniversary from the date of grant, depending on continuing service during the vesting period. The contractual life of the options is ten years from the date of grant after which they expire if unexercised.

24.2 Analysis of amounts recognised in the financial statements

(a) Analysis of amounts recognised in the consolidated income statement

	2018 £'000	2017 £'000
Total share-based payments charge recognised in operating profit	**303**	316

The allocation between continuing and discontinued operations is as follows:

	2018 £'000	2017 £'000
Share-based payments charge presented as continuing operations	**248**	237
Share-based payments charge presented as discontinued operations	**55**	79
Total share-based payments charge recognised in operating profit	**303**	316

(b) Analysis of amounts recognised in the consolidated statement of changes in equity in the year

	2018 £'000	2017 £'000
Net share-based payments credit recognised in equity	**303**	316

(c) Cumulative amounts included within equity in the consolidated statement of financial position

	2018 £'000	2017 £'000
Cumulative reserve credit for share-based payments	**717**	1,139

24 Share-based payments: options continued

24.3 Reconciliation of movements in equity-settled share-based payment arrangements in the year

Arrangement	Award date Year	Vests Years	Expires Year	Exercise price £	Awards outstanding at 1 Jan 2018 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 31 Dec 2018 Number	Awards exercisable at 31 Dec 2018 Number
Options	2010	2011–13	2020	0.140	322,672	—	—	2,500	320,172	320,172
	2011	2012–14	2021	1.050	108,700	—	—	8,500	100,200	100,200
	2012	2013–15	2022	2.125	75,500	—	—	5,000	70,500	70,500
	2013	2014–16	2023	2.055	93,600	—	—	15,750	77,850	77,850
	2014	2015–17	2024	2.250	65,000	—	—	20,000	45,000	45,000
	2016	2017–19	2026	0.020	5,600,000	—	—	350,000	5,250,000	—
	2018	2019–21	2028	0.555	—	350,000	—	—	350,000	—
Total					**6,265,472**	**350,000**	**—**	**401,750**	**6,213,722**	**613,722**
Weighted average exercise price (£)					0.123	0.555	—	0.260	0.138	0.914

24.4 Principal assumptions

2016 granted 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 70 pence for 60 consecutive calendar days between the second and third anniversary of issue and the period of employment continues for over three years.

The share options were valued using a Monte Carlo valuation model during 2017. The expected life is the expected period from grant to exercise based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free return is an average yield on the zero-coupon UK Government bond in issue at the date of grant with a similar life to the option. Volatility is estimated at the grant date based on the historical daily share price movements of the Company over a four-year period.

Within the 2018 financial statements a charge of £291,000 (2017: £316,000) has been recognised in respect of share options granted on 14 December 2016.

2018 granted share options

On 24 May 2018, 350,000 share options were issued at market value. The new share options were valued using a Black Scholes valuation model. The expected life is the expected period from grant to exercise based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free return is an average yield on the zero-coupon UK Government Bond in issue at the date of grant with a similar life to the option.

One third of the options will vest each anniversary of the grant date with 350,000 options being fully vested on 24 May 2021. The vesting conditions are that the individual must remain an employee of the Group on each vesting date.

The following assumptions were used in the model for options granted:

Instrument	Option
Number granted	350,000
Grant date	24 May 2018
Share price at grant date (£)	0.57
Exercise price (£)	0.56
Fair value per option (£)	0.17
Expected life (years)	3
Expected volatility (%)	43.00
Risk-free interest rate (%)	0.92
Expected dividends expressed as a dividend yield (%)	—

Within the 2018 financial statements a charge of £12,000 has been recognised in respect of share options granted on 24 May 2018.

25 Operating lease commitments

Leases as lessee

The Group signed new short-term office rental agreements within Germany, Japan and the UK during November and December 2018. Pre-existing office premises within these regions were exited as part of the RTLS SmartSpace business unit disposal. The new leases entered into are 12 months or less and the Group will elect to not apply IFRS 16 to these leases due to their short-term nature. The 2019 operating expense presented within the consolidated income statement will include £191,000 of rent expense in respect of these leases. The obligations for the new short-term leases are reported within the table below.

The Group enters into these arrangements as these are a cost-efficient way of obtaining the short-term benefits of these assets.

IFRS 16 was adopted on 1 January 2018. The 2017 comparatives include operating lease commitments which have been classified as a lease liability within the consolidated statement of financial position during the 2018 period.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings 2018 £'000	Land and buildings 2017 £'000	**Other 2018 £'000**	Other 2017 £'000
No later than one year	**183**	681	**—**	94
Later than one year and no later than five years	**8**	1,513	**—**	10
Later than five years	**—**	982	**—**	—
Total	**191**	3,176	**—**	104

The above table reflects the committed cash payments under operating leases, rather than the expected charge to the income statement in the relevant periods.

26 Subsidiaries

The Group consists of the parent company, IQGeo Group plc, incorporated in the UK, and a number of subsidiary companies which operate and are incorporated around the world. Information about the composition at the end of the reporting period is as follows:

Subsidiary	Country of incorporation	Principal activity	Proportion of ordinary shares held by Group (%)	Registered office
IQGeo UK Limited	UK	Geospatial solutions	100	CB1 Business Centre, 20 Station Road Cambridge CB1 2JD, UK
IQGeo Germany GmbH	Germany	Geospatial solutions	100	Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany
IQGeo America Inc.	US	Geospatial solutions	100	999 18th Street, Suite 901, Denver, CO 80202, United States
IQGeo Solutions Canada Inc.	Canada	Geospatial solutions	100	250 Howe Street, Suite 1400, Vancouver, BC V6C3S7, Canada
IQGeo Systems Limited	UK	Non-trading	100	CB1 Business Centre, 20 Station Road Cambridge CB1 2JD, UK
IQGeo Japan K.K.	Japan	Geospatial solutions	100	Level 20 Marunouchi Trust Tower – Main 1-8-3 Marunouchi Chiyoda-ku, Tokyo, 100-005, Japan

All subsidiaries are directly held by IQGeo Group plc. All subsidiaries are 100% owned by the Group.

All subsidiaries prepare local statutory accounts up to 31 December each year. For subsidiaries which have a different financial year end to the Group, additional co-terminus accounts are prepared reflecting the same financial reporting as the Group for the purposes of consolidation.

26 Subsidiaries continued

Following the sale of the RTLS SmartSpace business, the following entities were renamed to form part of the IQGeo group of companies:

Entity name	Entity former name	Effective date
IQGeo Group plc	Ubisense Group plc	2 January 2019
IQGeo Systems Ltd	IQGeo Group Ltd	2 January 2019
IQGeo Group Ltd	Geospatial Systems Ltd	4 December 2018
IQGeo America Inc.	Ubisense Inc	1 January 2019
IQGeo Solutions Canada Inc	Ubisense Solutions Inc	30 November 2018

Disposed subsidiaries

The below table represents the list of group entities that were disposed of on 31 December 2018 as part of the sale of the RTLS SmartSpace business unit.

Subsidiary	Country of incorporation	Principal activity	Proportion of ordinary shares held prior to disposal (%)	Registered office
Ubisense SAS	France	Location solutions	100	52 Boulevard de Sébastopol, 75003 Paris, France
Ubisense GmbH	Germany	Location solutions	100	Franz-Rennefeld-Weg 6, 40472 Düsseldorf, Germany
Ubisense Limited	UK	Location solutions and Holding Company	100	90 St Andrews House, St Andrews Street Cambridge CB4 1DL, UK
Ubisense America LLC	US	Location solutions	100	999 18th Street, Suite 901, Denver, CO 80202, United States
Ubisense Canada Inc	Canada	Locations solutions	100	250 Howe Street, Suite 1400, Vancouver, BC V6C3S7, Canada
Ubisense Inc	Japan	Intermediate holding company	100	2nd Floor, Hongo TK Bldg. 1-28-10 Hongo Bunkyo-ku, Tokyo 113-0033, Japan
Ubisense Japan K.K. (previously Geoplan Company Ltd)	Japan	Location solutions	100	2nd Floor, Hongo TK Bldg. 1-28-10 Hongo Bunkyo-ku, Tokyo 113-0033, Japan
Binary Star Developments K.K.	Japan	Non-trading	100	2nd Floor, Hongo TK Bldg. 1-28-10 Hongo Bunkyo-ku, Tokyo 113-0033, Japan

On 30 March 2018, the Group concluded the sale of its Japanese third party geospatial services business including the Geoplan brand name for a gross consideration of JPY £100 million (£0.7 million). Alongside this transaction, the Group acquired the 23% minority interest of Ubisense Japan K.K. in March 2018. The acquisition of this non-controlling interest gave the Group 100% ownership of its remaining Japanese operations prior to its inclusion as part of the sale of the RTLS SmartSpace business unit.

Prior to the disposal, the Group owned 100% of all subsidiaries sold.

27 Related party transactions

27.1 Remuneration of key personnel

The key management has been assessed to be the Directors of the Group (Executive and Non-Executive) during the 2018 and 2017 period.

During the year, there was an average number of seven key management personnel (2017: seven) and seven key management personnel at 31 December 2018 (2017: seven). The compensation paid or payable to key management for employee services is shown below:

	2018 £'000	2017 £'000
Short-term employee benefits		
Wages and salaries	**519**	565
Social security costs	**72**	71
Performance payments	**247**	70
Other benefits	**5**	4
	843	710
Post-employment benefits		
Contributions to defined contribution pension arrangements	**53**	56
Share-based payments		
Equity-settled share-based payments	**175**	178
Total key management compensation	**1,071**	944

27.2 Transactions with the Group related parties

There were no other related party transactions with Directors of the Company during 2018 or 2017 other than acquisition and disposal of shares described within the Directors' report.

28 Financial risk management

28.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised within note 28.7. The main types of risks are market risk (including foreign currency risk), credit risk and liquidity risk. Interest rate risk is no longer considered a risk following the repayment of the HSBC loan on 31 December 2018.

The Group's risk management is co-ordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows. The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

28.2 Foreign currency risk management

The Group operates globally and undertakes certain transactions denominated in foreign currencies, predominantly in US Dollars (USD), Euros (EUR) and Japanese Yen (JPY), exposing the Group to foreign currency risk. The Group's risk management policy is to maintain natural hedges where possible, by matching foreign currency revenue and expenditure. The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as the Group's currency transactions are not considered significant enough to warrant this.

Foreign currency denominated monetary assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those denominated in the local functional currency, translated into GBP at the closing rate.

	Japanese Yen		US Dollars		Euros	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Assets	**—**	—	**53**	142	**—**	194
Liabilities	**(19)**	—	**(7)**	—	**(9)**	(2)

All foreign currency financial assets and liabilities are classified as current.

28 Financial risk management continued

28.3 Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the USD/GBP, EUR/GBP and JPY/GBP exchange rates "all other things being equal". It assumes a +/-5% change in the GBP exchange rate against the relevant foreign currencies.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. A positive number indicates an increase in profit and equity.

	Japanese Yen		US Dollars		Euros	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Effect of a 5% appreciation of the local currency:						
Income statement	**3**	41	**181**	179	**–**	164
Equity	**3**	41	**181**	179	**–**	164
Effect of a 5% depreciation of the local currency:						
Income statement	**(3)**	(37)	**(144)**	(162)	**–**	(148)
Equity	**(3)**	(37)	**(144)**	(162)	**–**	(148)

Exposure to foreign currency exchange rates varies during the year, depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

28.4 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge a contractual obligation resulting in financial loss to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised in note 28.7, which are principally cash and cash equivalents and trade receivables.

Cash and cash equivalents are held at banks with good independent credit ratings in accordance with the Group Treasury policy. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that its financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. All receivables are subject to regular review to ensure that they are recoverable and any issues identified as early as possible. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. In addition many of the Group's customers, and approximately 80% by balance at any given time, are large utility companies and other blue-chip companies that would be considered a low credit risk. As a consequence management have determined that there is no expected credit loss in respect of trade receivables at 31 December 2018.

The amount of exposure to any single counterparty or a group of counterparties having similar characteristics is subject to a limit, which is reassessed periodically by management. At 31 December 2018, one customer individually accounted for more than 51% of the gross trade receivables balance which has been collected during 2019 (31 December 2017: more than 14%).

None of the Group's financial assets are secured by collateral or other credit enhancements.

Details of certain trade receivables at 31 December 2018 that have not been settled by the contractual due date but are not considered to be impaired are included in note 17.2.

28 Financial risk management continued

28.5 Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group seeks to manage this risk by regularly reviewing forecast inflows and outflows due in day-to-day business and investing cash assets safely and profitably. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

Cash flow forecasting is performed at the subsidiary level and aggregated by Group finance. Rolling cash flow forecasts are used by the Group to monitor liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group policy throughout the year has been to remit surplus working capital balances at the subsidiary level to Group treasury and place on short-term deposit or interest bearing reserve accounts and to draw down on borrowing facilities and distribute funds locally when required. As disclosed in note 21, the Group has no bank loan facilities as at 31 December 2018 (2017: £2.5 million facility, £2.5 million drawn down).

The Group considers expected cash flows from financial assets, predominantly cash and trade receivables, in assessing and managing liquidity risk. The Group's cash and trade receivable resources at 31 December 2018 (see note 17) exceed the current cash outflow requirements.

As at 31 December 2018, the Group's financial liabilities, including interest payments where applicable, have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 31 December 2018				
Trade and other payables	**5,312**	**—**	**—**	**—**
Lease obligations	**119**	**119**	**79**	**—**
Other payables	**—**	**—**	**—**	**—**
As at 31 December 2017				
Trade and other payables	9,211	—	40	—
Bank loan	750	—	1,750	—
Other payables	—	—	—	179

Financial assets used for managing liquidity risk

Cash flows from trade and other receivables are contractually due within three months in the majority of cases. Cash is generally held in accounts with immediate notice. Where surplus cash deposits are identified these are placed in accounts with access terms of no more than three months.

28.6 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders and to maintain an optimal capital structure to reduce the long-term cost of capital. The capital structure of the Group consists of cash and cash equivalents and capital and reserves attributable to the owners of the Company, and the Group's borrowing facilities.

In order to maintain or adjust the capital structure, the Group may issue shares, take on debt, sell assets to raise cash, adjust the amount of dividends payable to shareholders or return capital to shareholders.

The capital structure is continually monitored by the Group. The Group's strategy is to have a capital structure that allows investment in long-term profitable growth, takes into account prevailing trading conditions and seeks to improve balance sheet efficiency over time. The Group is not subject to externally imposed capital requirements.

The Group has no bank facilities at 31 December 2018 (31 December 2017: £2.5 million).

28 Financial risk management continued

28.7 Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the accounting policies in note 3. The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial instrument:

	Notes	2018 £'000	2017 £'000
Financial assets			
Fair value through other comprehensive income:			
– Investments	15	**2,000**	–
Amortised cost: Loans and receivables:			
– Trade receivables	17	**1,535**	6,203
– Amounts recoverable on contracts	17	**610**	2,666
– Other receivables	17	**915**	275
– Cash and cash equivalents	18	**30,915**	9,114
Total financial assets		**35,975**	18,258
Financial liabilities			
Amortised cost:			
– Trade payables	19	**2,175**	3,040
– Trade accruals	19	**1,734**	2,840
– Other payables	19	**44**	116
– Lease obligation	20	**309**	–
– Provisions	22	**–**	179
– Bank loans	21	**–**	2,500
Total financial liabilities		**4,262**	8,675

29 Post-balance sheet events

On 13 February 2019 Peter Harverson, Chairman and non-executive director, resigned as a director of the business. On the same day Paul Taylor was appointed as Chairman.

IQGeo Group plc (AIM: IQG) announced that an application has been made to the London Stock Exchange for an extension to its block listing scheme in respect of 174,073 ordinary shares of 2p each ("Ordinary Shares") to be admitted to trading on AIM. The admission became effective on 21 February 2019.

Under the Company's block listing scheme, new Ordinary Shares are issued from time to time in order to satisfy the grant of awards under the Company's 2006 Employers' Share Option Scheme, Unapproved Options Agreement and US Incentive Stock Option Agreement.

30 Reconciliation of liabilities arising from financing activities

	HSBC loan £'000	Lease liability £'000	Total £'000
1 January 2018	2,500	–	2,500
Cash flows:			
– Repayment	(2,500)	(743)	(3,243)
Non-cash			
– Recognition on adoption of IFRS 16	–	3,002	3,002
– Additions	–	63	63
– Effect of moving exchange rates	–	23	23
– Interest applied to principle	–	96	96
– Disposal of the RTLS SmartSpace business	–	(2,132)	(2,132)
	–	309	309

Company balance sheet
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Investments	3	**2,110**	9,808
Current assets			
Debtors falling due within one year	4	**14,027**	10,189
Debtors falling due after one year	4	**9,715**	1,059
Cash at bank and in hand		**28,948**	10
		52,690	11,258
Creditors – amounts falling due within one year	5	**(6,207)**	(557)
Net current assets		**46,483**	10,701
Total assets less current liabilities		**48,593**	20,509
Net assets		**48,593**	20,509
Capital and reserves			
Called-up share capital	6	**1,462**	1,462
Share premium account	7	**46,375**	46,375
Share-based payment reserve	7	**717**	1,139
Profit and loss reserve	7	**39**	(28,467)
Equity shareholders' funds		**48,593**	20,509

The notes on pages 92 to 95 are an integral part of the Company financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. IQGeo Group plc reported a gain for the financial year ended 31 December 2018 of £27,781,000 (2017: £556,000 loss).

The financial statements were approved and authorised for issue by the Board of Directors on 10 April 2019 and signed on its behalf by:

Richard Petti
Chief Executive Officer

Tim Gingell
Chief Financial Officer

IQGeo Group plc
Registered Number: 05589712

Company statement of changes in equity
for the year ended 31 December 2018

	Attributable to equity shareholders				
	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	1,118	41,554	823	(27,911)	15,584
Total comprehensive loss for the year	—	—	—	(556)	(556)
Reserve credit for equity-settled share-based payment	—	—	316	—	316
Issue of new share capital	344	—	—	—	344
Premium on new share capital	—	5,158	—	—	5,158
Share issue costs	—	(337)	—	—	(337)
Transactions with owners	344	4,821	316	(556)	4,925
Balance at 31 December 2017	1,462	46,375	1,139	(28,467)	20,509
Total comprehensive profit for the year	—	—	—	27,781	27,781
Lapse of share options	—	—	(725)	725	—
Reserve credit for equity-settled share-based payment	—	—	303	—	303
Transactions with owners	—	—	(422)	28,506	28,084
Balance at 31 December 2018	**1,462**	**46,375**	**717**	**39**	**48,593**

The notes on pages 92 to 95 are an integral part of the Company financial statements.

Notes to the Company financial statements

1 Principal accounting policies

Basis of preparation

The financial statements of IQGeo Group plc have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006. A summary of the significant accounting policies which have been reviewed by the Board of Directors is set out below.

The financial statements are prepared under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102, as it is a qualifying entity and its financial statements are included in the consolidated financial statements of IQGeo Group plc:

- the requirements of Section 4 Statement of Financial Position 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation, paragraph 3;
- the requirements of financial instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.47, 11.48(a)(iii), 11.48(iv), 11.48(b) and 11.48(c); and
- the requirements of Section 33 Related Party Disclosures, paragraph 33.7.

The Company has taken advantage of the exemption under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated financial statements of IQGeo Group includes the Company's cash flows.

Share-based payments

The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Vesting conditions are continuing employment and can include, for senior employees, a diluted EPS performance target or share price target. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate pricing model. The share-based payment is accounted for as a capital contribution to the subsidiaries. Investments in subsidiaries are increased by the aggregate amount of share-based payment with a corresponding increase in equity for the same amount. Information on share options which have been granted to Directors and employees are given in note 24 to the consolidated financial statements.

Investment in subsidiary companies

Fixed asset investments in subsidiary companies are stated at historical cost less provision for impairment. The Company assesses subsidiary investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount of the cash-generating unit is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

Other investments

As part of the sale transaction of the RTLS SmartSpace business unit on 31 December 2018, the Group holds a rollover equity investment in Abyssinian Topco Limited (registered number: 11649721) which following the transaction, is the parent company of the RTLS SmartSpace business unit.

The Group has made the irrevocable election to account for the investment in Abyssinian Topco Limited at fair value through other comprehensive income (FVOCI). In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Gains and losses arising from changes in fair value are recognised directly in equity. The cumulative gain or loss arising from changes in fair value, impairment or sale is not recycled to profit and loss.

Debtors

Short-term debtors are measured at transaction price, less impairment. Financial assets are measured subsequently at amortised cost using the effective interest method less any impairment.

Creditors

Short-term trade creditors are measured at transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate.

1 Principal accounting policies continued

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Critical accounting judgments and key sources of estimation and uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The Group is loss making and this is an indicator for potential impairment of the investments in the trading subsidiaries of IQGeo Group plc. In undertaking impairment reviews, management is required to make assumptions of the future cash flows generated from its subsidiaries. This includes consideration of both the current business pipeline and estimations beyond the existing pipeline.

2 Profit and loss account

The Company does not have any employees (2017: nil). Directors' emoluments are disclosed in note 27 of the consolidated financial statements. The Directors were not remunerated by the parent company.

Auditor's remuneration attributable to the Company is as follows:

	2018 £'000	2017 £'000
Audit fee – statutory audit	**59**	39
Other services	**—**	2
	59	41

3 Investments

	Investments in subsidiaries £'000	Other investments £'000	Total £'000
Cost and net book amount			
At 1 January 2018	9,808	—	9,808
Additions to subsidiaries	1,474	—	1,474
Investment in Abyssinian Topco Limited	—	2,000	2,000
Capital contribution relating to share-based payments	252	—	252
Disposal	(11,424)	—	(11,424)
At 31 December 2018	**110**	**2,000**	**2,110**

Capital contribution and impairment

The 2018 additions of £1.5 million relate to compensation of Ubisense GmbH for losses incurred during the year ended 31 December 2017 under a domination agreement. Direct ownership of Ubisense GmbH was transferred to Ubisense Limited on 7 December 2018 as part of a group reorganisation. Ubisense Limited and its subsidiaries were sold as part of the RTLS SmartSpace business unit disposal on 31 December 2018.

As part of the sale transaction of the RTLS business unit, the Group holds a rollover investment in Abyssinian Topco Limited.

Capital contributions relating to share-based payments arise because the Company has granted share options to the employees of its various subsidiaries.

The Group is loss making and this is an indicator for potential impairment of its investments. Management has completed impairment reviews through estimating the future discounted cash flows to be generated from these assets and concluded that no further impairment is required as the cash flows exceed the value of the investment.

Further information about subsidiaries is provided in note 26 of the consolidated financial statements.

4 Debtors

	2018 £'000	2017 £'000
Debtors falling due within one year:		
Amounts owed by subsidiary undertakings	**13,180**	10,189
Other debtors	**847**	–
	14,027	10,189
Debtors falling due after one year:		
Amounts owed by subsidiary undertakings	**9,715**	1,059
	9,715	1,059
Total debtors	**23,742**	11,248

Interest is charged on debtors falling due after one year at a rate of 3% on the balance owed.

Amounts owed by subsidiary undertakings are unsecured.

5 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade accruals	**1,431**	24
Amounts owed to subsidiary undertakings	**4,776**	533
	6,207	557

6 Share capital

	2018 Number	2017 Number	2018 £'000	2017 £'000
Allotted, called up and fully paid				
Ordinary shares of £0.02 each	**73,087,904**	73,087,904	**1,462**	1,462

There have been no movements in share capital during the year.

7 Reserves

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The nominal value of shares issued is classified as share capital and the amounts paid over the nominal value in respect of share issues, net of related costs, is classified as share premium.

Share-based payment reserve

The share-based payment reserve relates to a cumulative charge made in respect of share options granted by the Company to the Group's employees under its employee share option plans.

Retained earnings

Retained earnings include all current and prior period retained profits/losses.

8 Related party transactions

The Company takes advantage of the exemption under FRS 102 for transactions with wholly owned Group companies. There were no other related party transactions, other than the disposal of shares detailed within the Directors' report.

9 Post-balance sheet events

On 13 February 2019 Peter Harverson, Chairman and Non-Executive Director, resigned as a director of the business. On the same day Paul Taylor was appointed Chairman.

IQGeo Group plc (AIM: IQG) announced that an application has been made to the London Stock Exchange for an extension to its block listing scheme in respect of 174,073 ordinary shares of 2p each ("Ordinary Shares") to be admitted to trading on AIM. The admission became effective on 21 February 2019.

Under the Company's block listing scheme, new Ordinary Shares are issued from time to time in order to satisfy the grant of awards under the Company's 2006 Employers' Share Option Scheme, Unapproved Options Agreement and US Incentive Stock Option Agreement.

Advisers

Registered office

IQGeo Group plc
20 Station Road
Cambridge CB1 2JD

Tel: +44 1223 606 655
Website: www.iqgeo.com

Nominated advisers and brokers

finnCap
60 New Broad Street
London EC2M 1JJ

Lawyers

Mills & Reeve LLP
Cambridge Office
Botanic House
98–100 Hills Road
Cambridge CB2 1PH

Auditor

Grant Thornton UK LLP
Cambridge Office
101 Cambridge Science Park
Milton Road
Cambridge CB4 0FY

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Banker

HSBC Bank plc
Vitrum
St John's Innovation Park
Cowley Road
Cambridge CB4 0DS

IQGeo's commitment to environmental issues is reflected in this annual report which has been printed on Novatech Silk, made from an FSC® certified and ECF (Process Chlorine Free) material. Printed in the UK by Proco using their environmental printing technology. Both manufacturing mill and the printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

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IQGeo Group plc
20 Station Road
Cambridge CB1 2JD

www.iqgeo.com