IQGeo Group plc

(the "Company" or the "Group")

Interim results for the six months ended 30 June 2022

Continued success in orders and revenue growth

IQGeo Group plc (AIM: IQG), a market leading provider of geospatial productivity and collaboration software for the telecoms and utility network industries, is pleased to announce its interim results for the six months ended 30 June 2022.

Operational highlights:

- Global top 5 telecom operator added as a new logo, with IQGeo solutions playing a key role on one of the largest fibre and 5G build outs in the US market
- Completed the acquisition of Comsof N.V. ("Comsof") on 11 August 2022 for a total consideration of up to €13.0 million. The acquisition expands IQGeo's product capabilities with a market-leading automated fibre optic network planning and design software as well as adding a continental European operations hub and adding c.100 customers to the Group. Comsof is anticipated to accelerate net profitability in 2023 and beyond.

Group financial highlights:

- Recurring revenue growth of 75% to £4.5 million (H1 2021: £2.6 million) representing an increasing proportion of H1 revenue (H1 2022: 49% vs H1 2021: 40%)
- Total revenue has grown by 44% to £9.2 million (H1 2021: £6.4 million), all of which is organic
- Exit ARR* increased by 56% to £10.3 million (H1 2021: £6.6 million)
- Positive adjusted EBITDA** of £0.2 million (H1 2021: loss of £0.4 million)
- A considerably reduced PBT loss for the period of £0.3 million (H1 2021: £1.0 million)
- Net cash balance of £11.1 million as at 30 June 2022 (31 December 2021: £11.5 million, 30 June 2021: £12.1 million)
- Heavily over-subscribed fundraising from new and existing investors of £3.5m at 125p in August 2022 to part fund the acquisition of Comsof

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

**Adjusted EBITDA excludes amortisation, depreciation, share option expense, foreign exchange gains/losses on intercompany trading balances and non-recurring items and is reported as it reflects the performance of the Group

Richard Petti, Chief Executive Officer, said:
"The IQGeo business performed very well in the first half of the year notwithstanding the uncertain global backdrop. This success reflects sustained investment in network modernisation from both telecommunication and utility operators worldwide, and the success of our investments in our products and organisation. We continue to expand our customer base through direct organic sales and our strategy of M&A driven market growth. The successful acquisition of Comsof NV gives us a strong list of new customers and industry-leading network planning technology, both of which will increase our market momentum.

This performance and the platform that we have established gives us the confidence in achieving our expectations for this year. We remain very positive about the outlook for our target markets in the telecommunication and utility industries."

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Notes to Editors

About IQGeo

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

Chief Executive Officer's statement

Overview

We are very pleased with performance for the first 6 months of the year, most notably the 44% organic revenue growth, the 56% increase in exit ARR and our first reported positive adjusted EBITDA figure of £0.2 million. With the IQGeo global operations expanding, we have invested further by increasing headcount across the organisation in all of our key regions of North America, Europe and Japan. Additionally, we have strengthened our senior management team by making several key appointments.

Comsof acquisition

On 11 August 2022, IQGeo acquired Comsof, a Belgian company that builds and licenses fibre optic network planning and design software, for an initial consideration of €10 million, in addition to earn-out consideration of up to €3.0 million. We were very pleased by the high level of support shown by new and existing investors in an associated fundraising which part-funded the acquisition.

Comsof is headquartered in Belgium, with over 50 staff in Ghent, making it an ideal base of operations for Continental Europe where COMSOF has a significant customer base in the Benelux region, Germany, UK and Scandinavia. By investing in its European sales and marketing capabilities IQGeo anticipates it will further accelerate sales of an integrated product suite throughout the region. Comsof also has an office in Toronto, Canada, with 10 staff based there which will enable the selling of Comsof's market leading fibre planning software into IQGeo's North America customer base.

Its flagship product is COMSOF Fiber, which has been used to design fibre networks covering more than 100 million homes. The software is used by customers to aid in the design, construction, and maintenance of fibre optic networks. The software allows customers to combine their network data with third-party Geographic Information System (GIS) technology to provide location-based insights to customers. More recently Comsof has expanded into the utilities market with Comsof Heat, planning and design software for district heating and cooling networks.

We believe that none of IQGeo's global competitors offer our customers automated design and planning capabilities natively within their geospatial suites for telecoms or utilities. Typically, these capabilities are offered via partnerships or white labelling and IQGeo believe that the acquisition of Comsof will provide IQGeo a significant competitive advantage in being able to offer customers a full end-to-end solution within a single product stack.

During the first half of 2021 IQGeo completed the full integration of its OSPI acquisition, completed in December 2020. During 2021 under IQGeo's ownership, the run rate of new ARR won by the OSPI business more than doubled to £1.1 million and the new customer logos won by OSPI increased to 54. Our track record of integration and improving performance of acquired businesses can now be applied to Comsof's financial performance over the coming year. We anticipate that the Comsof business will be fully integrated into IQGeo operations by the end of 2022.

Strategic Priorities

The strategic priorities of the Group remain consistent with those identified within our 2021 Annual report which was published in March 2022. Since then, the Group has achieved continued progress against our strategic objectives in the first half and this positive performance is reflected in our first half results.

- Regional Growth: The Group has added 33 new customer logos during the first six months of the year, with market share being expanded in North America, Europe and Japan.
- Building Recurring Revenues: The combination of new customers and expansion orders from existing customers has added £1.9 million of Annual Recurring Revenues ('ARR') through subscription and M&S arrangements to our exit ARR, which stands at £10.3 million as at 30 June 2022.
- Product Innovation: IQGeo has continued to grow investment in the IQGeo product stack with product releases expanding functionality in a number of our core products.

Current trading and outlook

The Board anticipates continued organic growth through achieving positive net retention of its existing customer base and the continued addition of new customers. Additionally, the acquisition of Comsof is expected to accelerate sales in fibre optic design planning and design tools in high value markets where nation-wide fibre optic networks are being rolled out such as North America, UK and Germany among others. Comsof adds a global customer base of c.100 active customers to the IQGeo Group, providing a materially enlarged and loyal user base with potential to increase cross-selling of IQGeo software products.

Our financial performance remains in-line with Board expectations, and we remain very positive about the outlook for our target markets in the telecommunication and utility industries.

Richard Petti

Chief Executive Officer

Financial Review

Principal events and overview

The Group continues to focus on increasing Annual Recurring Revenue (“ARR”) which arises from both subscription-based software sales and also maintenance and support arrangements from perpetual licence sales. During the period, the Group has been successful in the markets in which it operates, continuing to grow Exit ARR which stands at £10.3 million as at 30 June 2022 (£6.6 million as at 30 June 2021).

The organic growth achieved by IQGeo is reflected in the Group KPIs below:

KPIs	H1 2022 £’000	H1 2021 £’000
Total revenue	9,186	6,378
Recurring revenue	4,499	2,574
Recurring revenue %	49%	40%
New ARR added in period	1,883	1,472
Exit recurring revenue run rate	10,295	6,581
Bookings of total orders	14,702	7,100
Gross margin %	60%	63%
Adjusted EBITDA profit/(loss)	214	(357)
Loss for the period	(282)	(1,041)
Recurring revenue net retention	103%	109%
Cash, net of debt	11,101	12,115

Annual recurring revenues

During the first half of 2022, ARR order intake has increased by 28% to £1.9 million (H1 2021: £1.5 million). This has been achieved through winning 33 new customer logos combined with expansion sales to existing customers. During the period, the Group continues to record a positive net retention rate of 103% (H1 2021: 109%). Recurring revenue as a % of total revenue has increased to 49% (H1 2021: 40%).

In addition to recurring revenue, revenue is derived from consultancy services on own IP products and also consultancy services connected to third-party products. Revenues from third-party product services are consistent with the prior period but are still expected to decline in future periods as the Group focuses on growing recurring revenues connected with its own intellectual property.

Orders

Bookings of total orders have increased by over 100% to £14.7 million during H1 2022 (H1 2021: £7.1 million) with new customers being added in all three of our key markets (North America, Europe and Japan).

Total order backlog (orders won, revenue not recognised) as of 30 June 2022 was £21.7 million (H1 2021: £9.8 million) with the growth being due to increased order intake.

Revenue

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

Revenue by stream	H1 2022 £’000	% of total revenue	H1 2021 £’000	% of total revenue	% of Growth
Recurring IQGeo product revenue	**4,499**	**49%**	**2,574**	**40%**	**75%**
Perpetual Software	267	3%	761	12%	(65%)
Services	3,978	43%	2,599	41%	53%
Non-recurring IQGeo product revenue	**4,245**	**46%**	**3,360**	**53%**	**26%**
Total IQGeo product revenue	**8,744**	**95%**	**5,934**	**93%**	**47%**
Geospatial services from third party products	442	5%	444	7%	0%
Total revenue	**9,186**	**100%**	**6,378**	**100%**	**44%**

Recurring revenues have increased by 75% to £4.5 million (H1 2021: £2.6 million) as a result of the ARR won during 2021. ARR won during H2 2022 has had limited impact on revenues for the six months ended 30 June 2022, with the increase in recurring revenues to be realised in future periods. Sales of perpetual software licences will continue to fluctuate in reporting periods as the Group continues to focus on subscription sales and it is pleasing the Group has posted a positive adjusted EBITDA without being reliant on significant one-off perpetual licences. The increase in deployments and expansion orders has led to a 53% increase in associated service revenues which reflects the growing customer base using IQGeo software. The Group continues to have visibility of services revenues of around six months forward due to the strong backlog of orders won.

Gross profit

Gross profit	H1 2022 £'000	Gross margin %	H1 2021 £'000	Gross margin %	Gross margin mvt
Gross profit/gross margin	5,500	60%	4,037	63%	(3%)

Gross margin percentage decreased by 3% compared with the prior period. The decrease in margin % is largely due to the decline in one off perpetual licences. The absolute gross profit recognised by the Group has increased by 36% to £5.5 million (H1 2021: £4.0 million).

Operating expenses and adjusted EBITDA

Operating expenses were £6.0 million (H1 2021: £4.9 million) and are summarised as follows:

	H1 2022 £'000	H1 2021 £'000
Other operating expenses	5,286	4,394
Depreciation	175	156
Amortisation and impairment	990	780
Share option expense	159	119
Unrealised foreign exchange on intercompany trading balances	(632)	55
Non-recurring items	5	(584)
Total operating expense	5,983	4,920

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

Other operating costs during the period have increased as headcount has been added to the Group to drive future revenue growth. Additionally, inflation has had an adverse impact on the majority of the cost base and this is expected to continue in future periods.

Adjusted EBITDA excludes amortisation and impairment, depreciation, share option expense, foreign exchange gains/losses on intercompany trading balances and non-recurring items and is reported as it reflects the performance of the Group. Adjusted EBITDA for the period was a £0.2 million (H1 2021: £0.4 million loss).

The operating loss for the period was £0.5 million (H1 2021: £0.9 million loss).

EPS and dividends

Adjusted diluted loss per share was 0.9 pence (H1 2021: 2.2 pence). Reported basic and diluted loss per share was 0.5 pence (H1 2021: 1.8 pence).

Consolidated statement of financial position and cash flow

Cash as at 30 June 2022 was £11.1 million (31 December 2021: £11.5 million, 30 June 2021: £12.1 million) with no external bank debt.

Net cash inflows from operating activities materially improved to £1.3 million (H1 2021: £0.4 million cash outflow) due to the improved trading performance and positive working capital movements.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's performance, and the factors which mitigate these risks, have not significantly changed from those set out on pages 38 to 41 of the Group's Annual Report for 2021 (a copy of which is available from our website www.iqgeo.com).

Condensed consolidated income statement

for the six months ended 30 June 2022

	Notes	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Revenue	4	**9,186**	6,378	13,849
Cost of revenues		**(3,686)**	(2,341)	(5,052)
Gross profit		**5,500**	4,037	8,797
Operating expenses		**(5,983)**	(4,920)	(11,371)
Operating loss		**(483)**	(883)	(2,574)
Analysed as:				
Gross profit		**5,500**	4,037	8,797
Other operating expenses		**(5,286)**	(4,394)	(9,626)
Adjusted EBITDA		**214**	(357)	(829)
Depreciation		**(175)**	(156)	(315)
Amortisation and impairment of intangible assets		**(990)**	(780)	(1,656)
Share option expense		**(159)**	(119)	(282)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**632**	(55)	(42)
Non-recurring items	5	**(5)**	584	550
Operating loss		**(483)**	(883)	(2,574)
Net finance income/(costs)		**(43)**	(76)	(167)
Loss before tax		**(526)**	(959)	(2,741)
Income tax		**244**	(82)	812
Loss for the period		**(282)**	(1,041)	(1,929)
Earnings/(Loss) per share				
Basic and diluted	6	**(0.5p)**	(1.8p)	(3.4p)

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2022

	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Loss for the period	**(282)**	(1,041)	(1,929)
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**	16	170
Total comprehensive loss for the period	**(232)**	(1,025)	(1,759)

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2022

	Ordinary share capital £'000	Share premium £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Merger relief reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021 as previously reported	**1,146**	**22,494**	**190**	**476**	**739**	**(1,786)**	**(5,153)**	**18,106**
Restatement in respect of deferred tax asset	-	-	-	-	-	-	285	285
Balance at 1 January 2021 restated	**1,146**	**22,494**	**190**	**476**	**739**	**(1,786)**	**(4,868)**	**18,391**
Loss for the period	-	-	-	-	-	-	(1,041)	(1,041)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	16	-	16
Total comprehensive loss for the period	-	-	-	-	-	16	(1,041)	(1,025)
Lapse of share options	-	-	(9)	-	-	-	9	-
Equity-settled share-based payment	-	-	119	-	-	-	-	119
Transactions with owners	-	-	110	-	-	-	9	119
Balance at 30 June 2021 restated	**1,146**	**22,494**	**300**	**476**	**739**	**(1,770)**	**(5,900)**	**17,485**
Loss for the period	-	-	-	-	-	-	(888)	(888)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	154	-	154
Total comprehensive loss for the period	-	-	-	-	-	154	(888)	(734)
Issue of shares – acquisition	3	-	-	-	220	-	-	223
Exercise of share options	1	13	(6)	-	-	-	6	14
Lapse of share options	-	-	(3)	-	-	-	3	-
Equity-settled share-based payment	-	-	163	-	-	-	-	163
Transactions with owners	4	13	154	-	220	-	9	400
Balance at 31 December 2021	**1,150**	**22,507**	**454**	**476**	**959**	**(1,616)**	**(6,779)**	**17,151**
Loss for the period	-	-	-	-	-	-	(282)	(282)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	50	-	50
Total comprehensive loss for the period	-	-	-	-	-	50	(282)	(232)
Issue of shares – acquisition	4	-	-	-	237	-	-	241
Exercise of share options	2	62	(14)	-	-	-	14	64
Equity-settled share-based payment	-	-	159	-	-	-	-	159
Transactions with owners	6	62	145	-	237	-	14	464
Balance at 30 June 2022	**1,156**	**22,569**	**599**	**476**	**1,196**	**(1,566)**	**(7,047)**	**17,383**

Restatement in respect of deferred tax asset

When IQGeo Group plc listed in 2011 an adjustment was made to the consolidated statement of financial position to recognise a deferred tax liability in respect of capitalised research and development costs. In recognising the deferred tax liability, an equal and opposite deferred tax asset should have been recognised to fully offset that deferred tax liability, reducing the net deferred tax position to £Nil.

The restatement of the 2021 opening position within the consolidated statement of changes of equity, reflects the recognition of a deferred tax asset of £285,000 which would fully offset the value of the deferred tax liability recognised within the consolidated statement of financial position as previously reported. The effect of the error was to understate the net asset position reported within the consolidated statement of financial position by £285,000 as at 31 December 2020.

Condensed consolidated statement of financial position

for the six months ended 30 June 2022

	Notes	At 30 June 2022 Unaudited £'000	At 30 June 2021 Unaudited and restated £'000	At 31 December 2021 Audited £'000
Assets				
Intangible assets	7	**9,929**	8,969	9,207
Property, plant, and equipment		**209**	167	167
Right of use assets		**1,428**	1,425	1,336
Total non-current assets		**11,566**	10,561	10,710
Current assets				
Trade and other receivables		**5,411**	3,343	5,025
Corporation tax receivable		**-**	-	176
Cash and cash equivalents		**11,101**	12,115	11,499
Total current assets		**16,512**	15,458	16,700
Total assets		**28,078**	26,019	27,410
Liabilities				
Current liabilities				
Trade and other payables	8	**(8,875)**	(6,639)	(8,579)
Lease obligation		**(336)**	(235)	(246)
Total current liabilities		**(9,211)**	(6,874)	(8,825)
Non-current liabilities				
Deferred tax		-	(139)	-
Lease obligation		**(1,484)**	(1,521)	(1,434)
Total non-current liabilities		**(1,484)**	(1,660)	(1,434)
Total liabilities		**(10,695)**	(8,534)	(10,259)
Net assets		**17,383**	17,485	17,151
Equity attributable to owners of the parent company				
Ordinary share capital	9	**1,156**	1,146	1,150
Share premium	9	**22,569**	22,494	22,507
Share based payment reserve		**599**	300	454
Capital redemption reserve		**476**	476	476
Merger relief reserve		**1,196**	739	959
Translation reserve		**(1,566)**	(1,770)	(1,616)
Retained earnings		**(7,047)**	(5,900)	(6,779)
Equity attributable to shareholders of the Company		**17,383**	17,485	17,151

Condensed consolidated statement of cash flows

for the six months ended 30 June 2022

	Notes	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Loss before tax from operating activities		**(526)**	(959)	(2,741)
Adjustments for:				
Depreciation		**175**	156	315
Amortisation and impairment		**990**	780	1,656
Revaluation of intercompany balances		**(632)**	55	42
Forgiveness of bank loan	5	**-**	(592)	(592)
Share-based payment charge		**159**	119	282
Finance income		**-**	(7)	(7)
Finance costs		**43**	83	174
Operating cash flows before working capital movement		**209**	(365)	(871)
Change in receivables		**63**	(493)	(2,175)
Change in payables		**1,021**	87	2,807
Cash generated from operations before tax		**1,293**	(771)	(239)
Net income taxes received/(paid)		**(4)**	404	984
Net cash flows from/(used in) operating activities		**1,289**	(367)	745
Cash flows from investing activities				
Purchases of property, plant, and equipment		**(62)**	(37)	(72)
Expenditure on intangible assets		**(979)**	(951)	(1,907)
Cash received on sale of the RTLS SmartSpace business unit		**-**	2,500	2,500
Acquisition of subsidiaries, net of cash acquired	8	**(625)**	14	(580)
Interest received		**-**	7	7
Net cash flows from/(used in) investing activities		**(1,666)**	1,533	(52)
Cash flows from financing activities				
Payment of lease liability		**(171)**	(110)	(269)
Proceeds from the issue of ordinary share capital		**64**	-	14
Net cash outflows from financing activities		**(107)**	(110)	(255)
Net increase/(decrease) in cash and cash equivalents		**(484)**	1,056	438
Cash and cash equivalents at start of period		**11,499**	11,078	11,078
Exchange differences on cash and cash equivalents		**86**	(19)	(17)
Cash and cash equivalents at end of period		**11,101**	12,115	11,499

Notes to the interim consolidated financial statements

1 General information

IQGeo Group plc ("the Company") and its subsidiaries (together, "the Group") delivers geospatial 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 address of its registered office is Nine Hills Road, Cambridge, United Kingdom, CB2 1GE.

The Group has its operations in the UK, USA, Canada, Germany and Japan, and sells its products and services in North America, Japan, UK and Europe. The Group legally consists of six subsidiary companies headed by IQGeo Group plc.

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 16 September 2022.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 21 March 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain a material uncertainty related to going concern paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

2 Basis of preparation

These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2021 and are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS').

Going concern basis

The Directors have adopted the going concern basis in preparing the financial statements. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant information about the current status of the business operations. The Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future and for at least 12 months following the approval of these condensed consolidated interim financial statements. Management prepares detailed cash flow 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. Management have performed sensitivity analysis on these forecasts and have considered the cash outflows associated with the acquisition of Comsof and the completion of a £3.5 million fundraise in August 2022 (see post balance sheet event note).

For the purposes of the preparation of the consolidated financial statements, the Group has applied all standards and interpretations in accordance with UK-adopted international accounting standards that are effective and applicable for accounting periods beginning on or before 1 January 2022. There are no standards in issue and not yet adopted that will have a material impact on the financial statements.

3 Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are unchanged from those set out in the Group's consolidated financial statements for the year ended 31 December 2021.

Revenue recognition

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

Notes to the interim consolidated financial statements (continued)

Perpetual software

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

If contracts include performance obligations which result in software being customised or altered, the software cannot be considered distinct from the labour service. Revenue recognition is dependent on the contract terms and assessment of whether the performance obligation is satisfied over time. If the conditions of IFRS 15 to recognise revenue over time are not satisfied, revenue is deferred until the software is available for customer use, because once software has been installed by the customer, the Group has no further obligations to satisfy.

Recurring IQGeo Product revenue - 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.

Recurring IQGeo Product revenue - subscription

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

Services

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

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

Timing of payment

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

4 Segmental information

4.1 Operating segments

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

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

Notes to the interim consolidated financial statements (continued)

4.2 Revenue by type

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

	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Subscription	**3,512**	1,672	3,964
Maintenance and support	**987**	902	1,787
Recurring IQGeo product revenue	**4,499**	2,574	5,751
Software	**267**	761	2,011
Services	**3,978**	2,599	5,089
Non-recurring IQGeo product revenue	**4,245**	3,360	7,100
Total revenue generated from IQGeo products	**8,744**	5,934	12,851
Geospatial services from third party products	**442**	444	998
Total revenue	**9,186**	6,378	13,849

4.3 Geographical areas

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

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

	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
UK	**289**	119	278
Europe	**242**	83	275
USA	**6,071**	3,727	9,211
Canada	**1,419**	1,658	2,297
Japan	**1,050**	642	1,556
Rest of World	**115**	149	232
Total revenue	**9,186**	6,378	13,849

5 Non-recurring items

	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Waiver of loan	**-**	592	592
Acquisition costs	**(5)**	(8)	(42)
Total non-recurring items	**(5)**	584	550

In April 2020, IQGeo America Inc, a subsidiary of IQGeo Group plc applied for and received a loan of $819,000 under the USA CARES Act's "Paycheck Protection Program" in order to support the USA operations during the uncertainty caused by the impact of the global COVID-19 pandemic. The loan was provided by HSBC Bank USA and accrued interest at a rate of 1.0% p.a. In June 2021, the loan was forgiven by the US Small Business Administration along with interest accrued. The waiver of the loan resulted in a credit to the income statement which was recognised during 2021.

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

Notes to the interim consolidated financial statements (continued)

6 Earnings/(Loss) per share (EPS)

	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Earnings attributable to Ordinary Shareholders			
Loss from operations	**(282)**	(1,041)	(1,929)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	**57,542**	57,312	57,314
Effect of dilutive potential ordinary shares:			
– Share options ('000)	**2,443**	2,162	2,416
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	**59,985**	59,474	59,730
EPS			
Basic and diluted EPS (pence)	**(0.5)**	(1.8)	(3.4)

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

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

	6 months to 30 June 2022 unaudited £'000	6 months to 30 June 2021 unaudited £'000	12 months to 31 December 2021 audited £'000
Earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)	**(282)**	(1,041)	(1,929)
Adjustments:			
Amortisation and impairment of acquired intangible assets (£'000)	**204**	193	389
Reversal of share-based payments charge (£'000)	**159**	119	282
Unrealised foreign exchange gains/(losses) on intercompany trading balances	**(632)**	55	42
Reversal of non-recurring items (£'000)	**5**	(584)	(550)
Net adjustments (£'000)	**(264)**	(217)	163
Adjusted earnings (£'000)	**(546)**	(1,258)	(1,766)
Adjusted diluted EPS (pence)	**(0.9)**	(2.2)	(3.1)

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

Notes to the interim consolidated financial statements continued

7 Intangible assets

Net book amount	At 30 June 2022 unaudited £'000	At 30 June 2021 unaudited £'000	At 31 December 2021 audited £'000
Goodwill	**4,937**	4,334	4,438
Acquired customer relationships	**1,978**	1,942	1,884
Acquired software products	**264**	386	316
Acquired brands	**16**	42	28
Capitalised product development	**2,720**	2,228	2,523
Software	**14**	37	18
Total intangible assets	**9,929**	8,969	9,207

8 Trade and other payables

	At 30 June 2022 unaudited £'000	At 30 June 2021 unaudited £'000	At 31 December 2021 audited £'000
Trade and other payables due within 1 year:			
Deferred income	**5,434**	2,946	4,501
Trade payables	**336**	220	458
Trade accruals	**2,566**	1,664	2,339
Other taxation and social security	**507**	281	452
Deferred acquisition consideration	**-**	755	-
Contingent acquisition consideration	**-**	755	796
Other payables	**32**	18	33
Trade and other payables due within 1 year	**8,875**	6,639	8,579

On 21 December 2020 the Group acquired 100% of the equity instruments of OSPInsight International Inc. ("OSPI"), a business based in Utah, USA, thereby obtaining control. The purchase agreement included an additional consideration of up to $1.1 million subject to achievement of defined levels of recurring revenue during the year ended 31 December 2021. The contingent consideration was settled in full during the 6 months ended 30 June 2022.

9 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Total £'000
Balance at 1 January 2021 and 30 June 2021	57,312,252	1,146	22,494	739	24,379
Issued under share-based payment plans	29,998	1	13	-	14
Issued as part consideration for acquisition	173,446	3	-	220	223
Balance at 1 January 2022	57,515,696	1,150	22,507	959	24,616
Issued under share-based payment plans	100,000	2	62	-	64
Issued as part consideration for acquisition	160,266	4	-	237	241
Balance at 30 June 2022	**57,775,962**	**1,156**	**22,569**	**1,196**	**24,921**

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

Notes to the interim consolidated financial statements continued

10 Share options

At 30 June 2022, the Group had the following share-based payment arrangements.

Arrangement	Award date Year	Vests Years	Expires Year	Exercise price £	Currency	Awards outstanding at 1 Jan 2022 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 30 June 2022 Number	Awards exercisable at 30 June 2022 Number
Options	2012	2013 – 15	2022	2.125	GBP	17,000	-	-	-	17,000	17,000
	2013	2014 – 16	2023	2.055	GBP	27,250	-	-	-	27,250	27,250
	2014	2015 – 17	2024	2.250	GBP	5,000	-	-	-	5,000	5,000
	2018	2019 - 21	2028	0.555	GBP	350,000	-	-	-	350,000	350,000
	2020	2020 - 23	2030	0.460	GBP	1,931,002	-	-	(5,000)	1,926,002	1,284,001
	2020	2020 - 23	2030	0.625	GBP	110,000	-	-	-	110,000	73,333
	2020	2020 - 23	2030	0.783	USD	1,265,000	-	(100,000)	(45,000)	1,120,000	746,667
	2020	2020 - 23	2030	0.675	GBP	500,000	-	-	-	500,000	333,333
	2021	2021 – 24	2031	1.050	GBP	505,000	-	-	-	505,000	168,333
	2021	2021 - 24	2031	1.450	USD	425,000	-	-	(35,000)	390,000	130,000
Total						**5,135,252**	**-**	**(100,000)**	**(85,000)**	**4,950,252**	**3,134,917**
Weighted average exercise price (£)						0.645	-	-	0.776	0.644	0.609

No additional share options were granted during the period.

11 Post balance sheet events

On 11 August 2022 IQGeo completed the acquisition of Comsof N.V. (“Comsof”) for a total consideration of up to €13.0 million. The consideration comprised of initial consideration of €10 million consisting of €8.85 million in cash and €1.15 million through issue of 777,657 Ordinary Shares on completion of the acquisition, with the remainder as earn-out consideration and to be settled in cash. The Ordinary Shares issued had a market value of 125.50 pence per share on the acquisition date. The earn out consideration of up to €3.0 million will become due in two equal tranches, the first on or before 28 April 2023 and the second on or before 31 December 2023, subject to the achievement of certain agreed financial performance criteria.

The Acquisition brings complementary technology in the form of market-leading fibre optic planning and design software that expands IQGeo's addressable market. Comsof has a substantial customer base in the European telecommunications market and will create a continental European operations hub for the Company from its main office in Ghent, Belgium.

Additionally in August 2022, IQGeo completed a placing raising £3.5 million before expenses, through issue of 2,800,000 Ordinary Shares at a price of 125p per share.

Independent auditor’s review report on Interim Financial Information to IQGeo Group plc

Conclusion

We have reviewed the condensed set of financial statements in the half-yearly financial report of IQGeo Group plc (the ‘company’) and its subsidiaries (together called the ‘group’) for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows and related notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting'.

Basis for conclusion

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK - adopted international accounting standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, “Interim Financial Reporting”.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE UK, however future events or conditions may cause the entity to cease to continue as a going concern.

In our evaluation of the directors’ conclusions, we considered the inherent risks associated with the group’s business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group’s financial resources or ability to continue operations over the going concern period.

Directors' responsibilities

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

In preparing the half-yearly financial report, the directors are responsible for assessing the group’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 company and/or subsidiaries or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the review of the financial information

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

Our conclusion, including our Conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the group, as a body, in accordance with ISRE (UK) 2410. Our review work has been undertaken so that we might state to the group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP

Ant Thomas
Senior Statutory Auditor,
For and on behalf of Grant Thornton UK LLP
Chartered Accountants
Cambridge
16 September 2022