

IQGeo Group plc
(the "Company" or the "Group")

Interim results for the six months ended 30 June 2023

IQGeo's market focus delivers continued revenue growth and strong commercial momentum

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 2023.

Operational highlights:

- The Group has achieved continued success in increasing its recurring revenue base with Exit ARR* as at 30 June 2023 of £16.9 million (H1 2022: £10.3 million). ARR intake during the period includes a follow-on contract with a top 5 Japanese utility company and leading German broadband operator, as recently announced in July.

Group financial highlights:

- Total revenue has grown by 124% to £20.5 million (H1 2022: £9.2 million), 83% of which is organic and the remainder from the Comsof acquisition in August 2022
- Recurring revenue growth of 61% to £7.2 million (H1 2022: £4.5 million)
- Exit ARR* increased by 64% to £16.9 million (H1 2022: £10.3 million)
- Adjusted EBITDA** of £2.7 million (H1 2022: £0.2 million)
- Increasing recurring revenue net retention for the period of 114% (H1 2022: 103%)
- Total order intake has grown by over 54% to £22.6 million (H1 2022: £14.7 million)
- A loss before tax for the period of £0.2 million (H1 2022: £0.5 million loss)
- Net cash balance of £6.9 million as at 30 June 2023 (31 December 2022: £8.1 million) after having settled the first earn-out related to the Comsof acquisition (€1.5 million) in April 2023

*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 underlying performance of the Group.

Richard Petti, Chief Executive Officer, said:

“Over the last six months the business has stayed focused on our core telecommunications and utility markets and our team has delivered very strong growth across all key financial metrics. We continue to see high levels of investment in fibre broadband rollout and utility grid modernisation, as well as growth in the adoption of our network management software. These positive trends give us confidence in our targets for the second half of the year and moving forward into 2024.

Given the technical burden demanded by managing multiple software vendors, customers are responding well to our strategy of developing a single fibre network and electric grid management platform that supports their entire operational lifecycle. Our lifecycle solutions are the foundation for our 'land & expand' sales approach as customers add new workflow software to support other areas of their business. The IQGeo revenue stream comprises a healthy mix of new deals with large and small companies, and expansion projects with existing customers. This model has also allowed us to further establish our global footprint as we've announced major contract wins in North America, Europe, and Asia.

As the business grows, we are continuing to invest in top talent and technical infrastructure to keep pace with market and customer demand. Our team is moving quickly to capitalise on proven market opportunities with our innovative software solutions, and will continue to focus on these core fundamentals in the months ahead.”

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The Group's Nominated Adviser and Broker, finnCap Ltd, has now changed its name to Cavendish Capital Markets Ltd following completion of its own corporate merger.

Notes to Editors

About IQGeo

IQGeo™ (AIM: IQG), Telecommunication, fibre, and utility operators are "Building better networks" with IQGeo's award-winning network management software. The ability to powerfully model any network requirement, integrate every system and data source, and support field and office teams with continual innovation is helping operators create the networks of the future. Our solutions ensure greater cross-team collaboration and process efficiency throughout the network lifecycle, from planning and design to construction, operations, and sales.

Whether it's highly competitive fibre and 5G broadband rollouts or complex utility grid modernisation projects, customers trust IQGeo's Integrated Network and Adaptive Grid solutions. We partner with large multinationals and smaller regional operators to deliver the digital innovation they need to accelerate time-to-revenue, increase network resilience, improve operational safety, and deliver ROI. For more information visit: www.iqgeo.com/

Chief Executive Officer's statement

Overview

We are pleased with the performance of the company over the first 6 months of this year and the consistent growth milestones we have achieved over the most recent reporting periods. Notable metrics include the 64% increase in exit ARR and our positive adjusted EBITDA figure of £2.7 million. Investment remains strong in our core target industries of telecommunications and utilities, and we continue to grow market share for our network management software in our key regions of North America, Europe, and Japan.

Business innovation

We are investing in industry leading talent for the organisation including the appointment of a new Chief Technology Officer and we have expanded the ranks of our Engineering and Services teams. In the first half of 2023 we launched a number of new products and completed a second phase integration of our Comsof Fiber software that was part of the Comsof acquisition in August of 2022. The Comsof Fiber automated fibre planning software is a key component of our IQGeo Integrated Network solution used by broadband operators to manage the entire lifecycle of their fibre networks including planning, design, construction, operations, and sales.

We have seen significant success with our strategy of providing a lifecycle network management solution for both our telecom and utility customers. Once deployed within a customer, our software foundation enables expansion across a range of new operational areas. This "land and expand" sales model continues to deliver results as we have announced contracts with large new customers and major expansion projects in all of our target geographies.

On 01 August 2023 we announced new packaging for our Network Manager Telecom software with three editions called Insight, Professional, and Enterprise. These editions are designed to provide fibre operators of any size and scope with a network management solution that meets their technical and budget requirements. As this product configuration evolves, it will allow IQGeo to address a wide range of potential customers through a single software platform. This enables customers a seamless upgrade path as their networks scale and affords IQGeo greater development and support efficiency with a single core software platform. The Insight edition is designed as a packaged solution that can be running within hours with no need for integration services. The Professional and Enterprise editions are for those customers that demand more advanced configuration and customisation for their network deployments.

The team continues to evolve our service offering to keep pace with customer demand. We have launched new cloud hosting, software training, and professional service offerings. Today we support our larger, more sophisticated customers with a range of services including: implementation, configuration, and customisation, as well as data cleanup and import services.

Strategic priorities

As we continue to build on our demonstrated success, our core strategic priorities for the Group remain consistent with those documented in our 2022 Annual Report which was published in March of 2023. The organisation is performing well against our strategic objectives in the first half of 2023 and this positive performance is reflected in our results for this period.

- **Global Growth:** The Group has added 23 new customer logos during the first six months of the year, with market share being expanded in North America, Europe and Japan.
- **Recurring Revenues:** The combination of new customers and expansion orders from existing customers has added £3.3 million of Annual Recurring Revenues ('ARR') through subscription and M&S arrangements to our exit ARR, which stands at £16.9 million as at 30 June 2023.
- **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. Following the acquisition in August 2022, Comsof continues to perform well and the wins and results show that the upsell and cross-sell strategy is working. The asset investment dynamics of the underlying markets we serve - telecoms and utilities - have remained resilient and we see continued long term investment in fibre optic networks and in electric grid modernisation in all our key markets.

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 £16.9 million as at 30 June 2023 (£10.3 million as at 30 June 2022).

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

KPIs	H1 2023	H1 2022
	£'000	£'000
Total revenue	20,537	9,186
Recurring revenue	7,240	4,499
Recurring revenue %	35%	49%
New ARR added in period	3,280	1,883
Exit recurring revenue run rate	16,896	10,295
Bookings of total orders	22,550	14,702
Gross margin %	59%	60%
Adjusted EBITDA profit	2,668	214
Loss for the period	(332)	(282)
Recurring revenue net retention	114%	103%
Cash	6,919	11,101

Annual recurring revenues

During the first half of 2023, new ARR added has increased by 74% to £3.3 million (H1 2022: £1.9 million). This has been achieved through winning 23 new customer logos combined with expansion sales to existing customers. During the period, the Group continues to record a positive net retention rate of 114% (H1 2022: 103%).

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 54% to £22.6 million during H1 2023 (H1 2022: £14.7 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 2023 was £28.0 million (H1 2022: £21.7 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 2023 £'000	% of total revenue	H1 2022 £'000	% of total revenue	% Growth
Recurring IQGeo product revenue	7,240	35%	4,499	49%	61%
Perpetual Software	1,882	9%	267	3%	605%
Demand Points	2,194	11%	-	0%	-
Services	8,831	43%	3,978	43%	122%
Non-recurring IQGeo product revenue	12,907	63%	4,245	46%	204%
Total IQGeo product revenue	20,147	98%	8,744	95%	135%
Geospatial services from third party products	390	2%	442	5%	(12%)
Total revenue	20,537	100%	9,186	100%	124%

Recurring revenues have increased by 61% to £7.2 million (H1 2022: £4.5 million) as a result of the ARR won during 2022. ARR won during H1 2023 has had limited impact on revenues for the six months ended 30 June 2023, 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 122% 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 2023 £'000	Gross margin %	H1 2022 £'000	Gross margin %	Gross margin mvt
Gross profit/gross margin	12,137	59%	5,500	60%	(1%)

Gross margin percentage decreased by 1% compared with the prior period. The decrease in margin % is largely due to the increased services revenue. The absolute gross profit recognised by the Group has increased by 121% to £12.1 million (H1 2022: £5.5 million).

Operating expenses and adjusted EBITDA

Operating expenses were £12.3 million (H1 2022: £6.0 million) and are summarised as follows:

	H1 2023 £'000	H1 2022 £'000
Employee related costs	7,900	4,813
Other operating expenses	1,569	473
Depreciation	270	175
Amortisation and impairment	1,542	990
Share option expense	442	159
Unrealised foreign exchange on intercompany trading balances	238	(632)
Non-recurring items	293	5
Total operating expense	12,254	5,983

Other operating expenses of the Group include sales, product development, marketing, and administration costs excluding any expenses relating to employee costs.

Employee related expenses during the period have increased due to the Comsof acquisition in August 2022, and additional headcount resource in the Group to support future revenue growth. Operating expenses have also been impacted by inflation.

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 £2.7 million (H1 2022: £0.2 million).

The operating loss for the period was £0.1 million (H1 2022: £0.5 million loss).

EPS and dividends

Adjusted diluted earnings per share was 1.6 pence (H1 2022: 0.9 pence loss). Reported basic and diluted loss per share was 0.5 pence (H1 2022: 0.5 pence loss).

Consolidated statement of financial position and cash flow

Cash as at 30 June 2023 was £6.9 million (31 December 2022: £8.1 million, 30 June 2022: £11.1 million) with no external bank debt.

Net cash inflows from operating activities materially improved to £2.8 million (H1 2022: £1.3 million) due to the improved trading performance.

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 46 to 49 of the Group's Annual Report for 2022 (a copy of which is available from our website www.iqgeo.com).

Condensed consolidated income statement

for the six months ended 30 June 2023

	Notes	6 months to 30 June 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
Revenue	4	20,537	9,186	26,592
Cost of revenues		(8,400)	(3,686)	(10,927)
Gross profit		12,137	5,500	15,665
Operating expenses		(12,254)	(5,983)	(17,191)
Operating loss		(117)	(483)	(1,526)
Analysed as:				
Gross profit		12,137	5,500	15,665
Other operating expenses		(9,469)	(5,286)	(13,767)
Adjusted EBITDA		2,668	214	1,898
Depreciation		(270)	(175)	(447)
Amortisation and impairment of intangible assets		(1,542)	(990)	(2,241)
Share option expense		(442)	(159)	(303)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		(238)	632	574
Non-recurring items	5	(293)	(5)	(1,007)
Operating loss		(117)	(483)	(1,526)
Net finance costs		(60)	(43)	(288)
Loss before tax		(177)	(526)	(1,814)
Income tax		(155)	244	901
Loss for the period		(332)	(282)	(913)
Earnings/(Loss) per share				
Basic and diluted	6	(0.5p)	(0.5p)	(1.6p)

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2023

	6 months to 30 June 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
Loss for the period	(332)	(282)	(913)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange difference on retranslation of net assets and results of overseas subsidiaries	(41)	50	417
Total comprehensive loss for the period	(373)	(232)	(496)

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2023

	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 2022	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
Loss for the period	-	-	-	-	-	-	(631)	(631)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	367	-	367
Total comprehensive loss for the period	-	-	-	-	-	367	(631)	(264)
Issue of shares – acquisition	12	-	-	-	720	-	-	732
Exercise of share options	2	47	(16)	-	-	-	16	49
Lapse of share options	-	-	(93)	-	-	-	93	-
Equity-settled share-based payment	-	-	144	-	-	-	-	144
Deferred consideration	3	-	-	-	237	-	-	240
Issue of shares – associated costs	-	(95)	-	-	-	-	-	(95)
Issue of shares - fundraise	56	3,444	-	-	-	-	-	3,500
Transactions with owners	73	3,396	35	-	957	-	109	4,570
Balance at 31 December 2022	1,229	25,965	634	476	2,153	(1,199)	(7,569)	21,689
Profit/(loss) for the period	-	-	-	-	-	-	(332)	(332)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	-	-	(41)	-	(41)
Total comprehensive loss for the period	-	-	-	-	-	(41)	(332)	(373)
Exercise of share options	2	63	(22)	-	-	-	22	65
Lapse of share options	-	-	(11)	-	-	-	11	-
Equity-settled share-based payment	-	-	442	-	-	-	-	442
Transactions with owners	2	63	409	-	-	-	33	507
Balance at 30 June 2023	1,231	26,028	1,043	476	2,153	(1,240)	(7,868)	21,823

Condensed consolidated statement of financial position

for the six months ended 30 June 2023

		At 30 June 2023 Unaudited	At 30 June 2022 Unaudited	At 31 December 2022 Audited
	Notes	£'000	£'000	£'000
Assets				
Intangible assets	7	20,148	9,929	20,029
Property, plant, and equipment		378	209	310
Right of use assets		1,394	1,428	1,480
Total non-current assets		21,920	11,566	21,819
Current assets				
Trade and other receivables		13,902	5,411	11,064
Corporation tax receivable		-	-	662
Cash and cash equivalents		6,919	11,101	8,055
Total current assets		20,821	16,512	19,781
Total assets		42,741	28,078	41,600
Liabilities				
Current liabilities				
Trade and other payables	8	(18,314)	(8,875)	(16,217)
Lease obligation		(798)	(336)	(417)
Total current liabilities		(19,112)	(9,211)	(16,634)
Non-current liabilities				
Deferred tax		(802)	-	(802)
Trade and other payables		(27)	-	(996)
Lease obligation		(977)	(1,484)	(1,479)
Total non-current liabilities		(1,806)	(1,484)	(13,277)
Total liabilities		(20,918)	(10,695)	(19,911)
Net assets		21,823	17,383	21,689
Equity attributable to shareholders of the Company				
Ordinary share capital	9	1,231	1,156	1,229
Share premium	9	26,028	22,569	25,965
Share based payment reserve		1,043	599	634
Capital redemption reserve		476	476	476
Merger relief reserve		2,153	1,196	2153
Translation reserve		(1,240)	(1,566)	(1,199)
Retained earnings		(7,868)	(7,047)	(7,569)
Equity attributable to shareholders of the Company		21,823	17,383	21,689

Condensed consolidated statement of cash flows

for the six months ended 30 June 2023

	Notes	6 months to 30 June 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
Loss before tax from operating activities		(177)	(526)	(1,814)
Adjustments for:				
Depreciation		270	175	447
Amortisation and impairment		1,542	990	2,241
Revaluation of intercompany balances		238	(632)	(574)
Share-based payment charge		442	159	303
Finance costs		60	43	288
Operating cash flows before working capital movement		2,375	209	891
Change in receivables		(2,175)	63	(6,039)
Change in payables		2,097	1,021	7,051
Cash generated from operations before tax		2,297	1,293	1,903
Net income taxes received/(paid)		507	(4)	607
Net cash flows from operating activities		2,804	1,289	2,510
Cash flows from investing activities				
Purchases of property, plant, and equipment		(156)	(62)	(170)
Expenditure on intangible assets		(2,096)	(979)	(2,900)
Acquisition of subsidiaries, net of cash acquired	8	(1,325)	(625)	(5,613)
Net cash flows used in investing activities		(3,577)	(1,666)	(8,683)
Cash flows from financing activities				
Payment of lease liability		(275)	(171)	(444)
Proceeds from the issue of ordinary share capital on exercise of options		65	64	103
Proceeds from the issue of ordinary share capital from fundraising, net of associated costs		-	-	3,405
Net cash outflows from financing activities		(210)	(107)	3,064
Net decrease in cash and cash equivalents		(982)	(484)	(3,109)
Cash and cash equivalents at start of period		8,055	11,499	11,499
Exchange differences on cash and cash equivalents		(154)	86	(335)
Cash and cash equivalents at end of period		6,919	11,101	8,055

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, Belgium, Canada, Germany and Japan, and sells its products and services in North America, Japan, UK and Europe. The Group legally consists of seven subsidiary companies headed by IQGeo Group plc as at 30 June 2023. On 1 January 2023, Comsof Technologies America, Ltd, acquired as a result of the Comsof acquisition, was amalgamated with IQGeo Solutions Canada Inc.

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 25 September 2023.

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 2022 were approved by the Board of Directors on 24 March 2023 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 2022 and are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRS’). This consolidated interim financial statement for the half-year reporting period ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

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 deferred consideration payable in relation to the acquisition of Comsof in 2022.

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 2023. 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 2022.

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.

Demand Points revenue (Comsof products)

Annual licence revenue

For Comsof software products which are sold within an agreement based on Demand Points and which contain an annual licence renewal, revenue is recognised annually upfront. Hosting or associated services within the same agreement are recognised over time. This reflects that whilst the contractual term may extend across multiple annual renewals, there is a trigger at the annual renewal which if not met could cause the contract to be terminated.

Term licence revenue

For Comsof software products which are sold within an agreement based on Demand Points, which is for a fixed period, but which does not contain an annual licence renewal, revenue is recognised in full upfront. Hosting or associated services within the same agreement are recognised over time. This reflects that the customer has the benefit of the software for the duration of the term contract.

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.

Notes to the interim consolidated financial statements (continued)

4 Segmental information

4.1 Operating segments

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

The 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. These geospatial operations are reported to the CODM as a single operating segment which includes the operations of Comsof acquired in 2022. Whilst the Comsof brand will be retained as part of the Company's product portfolio, the operations, people, sales, development, administration and systems have all been fully integrated into the IQGeo group and amalgamated within the existing single operating segment.

4.2 Revenue by type

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

	6 months to 30 June 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
Subscription	5,734	3,512	8,107
Maintenance and support	1,506	987	2,503
Recurring IQGeo product revenue	7,240	4,499	10,610
Software	1,882	267	4,495
Demand points	2,194	-	3,357
Services	8,831	3,978	10,527
Non-recurring IQGeo product revenue	12,907	4,245	15,022
Total revenue generated from IQGeo products	20,147	8,744	25,632
Geospatial services from third party products	390	442	960
Total revenue	20,537	9,186	26,592

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 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
UK	1,169	289	1,133
Europe	2,013	242	1,983
USA	13,468	6,071	17,867
Canada	1,709	1,419	2,893
Japan	1,969	1,050	1,867
Rest of World	209	115	849
Total revenue	20,537	9,186	26,592

Notes to the interim consolidated financial statements (continued)

5 Non-recurring items

	6 months to 30 June 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
Acquisition costs	(293)	(5)	(1,007)
Total non-recurring items	(293)	(5)	(1,007)

On 12 August 2022 the Group acquired Comsof. Costs have been expensed as they were incurred.

6 Earnings/(Loss) per share (EPS)

	6 months to 30 June 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited (restated) £'000
Earnings attributable to Ordinary Shareholders			
Profit/(loss) from operations	(332)	(282)	(913)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	61,527	57,542	58,816
<i>Effect of dilutive potential ordinary shares:</i>			
– Share options ('000)	3,863	2,443	2,957
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	65,390	59,985	61,773
EPS			
Basic and diluted EPS (pence)	(0.5)	(0.5)	(1.6)

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 2023 unaudited £'000	6 months to 30 June 2022 unaudited £'000	12 months to 31 December 2022 audited £'000
Earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)	(332)	(282)	(913)
<i>Adjustments:</i>			
Amortisation and impairment of acquired intangible assets (£'000)	403	204	555
Reversal of share-based payments charge (£'000)	442	159	303
Unrealised foreign exchange gains/(losses) on intercompany trading balances	238	(632)	(574)
Reversal of non-recurring items (£'000)	293	5	1,007
Net adjustments (£'000)	1,376	(264)	1,291
Adjusted earnings (£'000)	1,044	(546)	378
Adjusted basic EPS (pence)	1.7	(0.9)	0.6
Adjusted diluted EPS (pence)	1.6	(0.9)	0.6

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.

Notes to the interim consolidated financial statements (continued)

7 Intangible assets

Net book amount	At 30 June 2023 unaudited £'000	At 30 June 2022 unaudited £'000	At 31 December 2022 audited £'000
Goodwill	11,170	4,937	11,516
Acquired customer relationships	3,466	1,978	3,761
Acquired software products	589	264	742
Acquired brands	213	16	255
Capitalised product development	4,579	2,720	3,743
Software	131	14	12
Total intangible assets	20,148	9,929	20,029

8 Trade and other payables

	At 30 June 2023 unaudited £'000	At 30 June 2022 unaudited £'000	At 31 December 2022 audited £'000
<i>Trade and other payables due within 1 year:</i>			
Deferred income	8,236	5,434	7,450
Trade payables	1,846	336	1,247
Trade accruals	6,056	2,566	5,371
Other taxation and social security	877	507	866
Contingent acquisition consideration	1,184	-	1,211
Other payables	115	32	72
Trade and other payables due within 1 year	18,314	8,875	16,217

On 11th August 2022 the Group acquired 100% of the equity instruments of the Comsof business with operations in Europe & North America, thereby obtaining control. The purchase agreement included two consideration payments both for €1.5 million, one of which was settled during the first half of 2023, and the second is due to be paid in the second half of 2023 and is included in the table above.

Other payables

In 2022, the Group received notification that a potential tax claim has been issued by a foreign tax authority relating to the sale of the RTLS business in 2018. The Group is currently disputing the claim. As the outcome remains uncertain and any liability cannot reliably be deduced, it is not practical to estimate the potential claim on the Group.

Within the current period, the group has entered into a Bank Guarantee for €200,000 as part of the tender process for a potential customer. This expired on 12th September 2023.

Notes to the interim consolidated financial statements (continued)

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 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
Issued under share-based payment plans	84,998	2	47	-	49
Issue of shares – acquisition (Comsof)	-	-	-	957	957
Issued on placing to institutional investors – legal fees	-	-	(95)	-	(95)
Issued on placing to institutional investors	2,800,000	56	3,444	-	3,500
Issued as part consideration for acquisition	777,657	12	-	-	12
Deferred consideration – OSPI	-	3	-	-	3
Balance at 1 January 2023	61,438,617	1,229	25,965	2,153	29,347
Issued under share-based payment plans	113,542	2	63	-	65
Balance at 30 June 2023	61,552,159	1,231	26,028	2,153	29,412

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

10 Share options

At 30 June 2023, 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 2023 Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Awards outstanding at 30 June 2023 Number	Awards exercisable at 30 June 2023 Number
Options	2013	2014 -16	2023	2.055	GBP	21,750	-	(1,875)	(19,875)	-	-
	2018	2019 - 21	2028	0.555	GBP	350,000	-	(70,000)	-	280,000	280,000
	2020	2020 - 23	2030	\$0.783	USD	845,000	-	-	(60,000)	785,000	785,000
	2020	2020 - 23	2030	0.625	GBP	110,000	-	-	-	110,000	110,000
	2020	2020 - 23	2030	0.460	GBP	1,862,670	-	(36,667)	-	1,826,003	1,826,003
	2020	2020 - 23	2030	0.675	GBP	500,000	-	-	-	500,000	333,333
	2021	2021 - 24	2031	1.050	GBP	485,000	-	(5,000)	-	480,000	156,667
	2021	2021 - 24	2031	\$1.730 ¹	USD	320,000	-	-	(35,000)	285,000	95,000
	2022	2022 - 25	2032	1.430	GBP	705,000	-	-	(20,000)	685,000	-
	2022	2022 - 25	2032	\$1.690	USD	707,000	-	-	(30,000)	677,000	-
	2022	2022 - 25	2032	1.050	GBP	200,000	-	-	-	200,000	-
	2022	2022 - 25	2032	1.134	GBP	230,000	-	-	-	230,000	-
	2022	2022 - 25	2032	1.725	GBP	75,000	-	-	-	75,000	-
	2023	2023 - 26	2033	2.087	GBP	-	80,000	-	-	80,000	-
Total						6,411,420	80,000	(113,452)	(164,875)	6,213,003	3,586,003
Weighted average exercise price (£)						0.600	2.087	0.571	1.175	0.892	0.575

1. Option awards granted in 2021 in USD were at an exercise price below market value, in line with the GBP awards issued on the same date. Following tax advice, this treatment has been identified to be inefficient for both the awardees and the Company. By agreement with all remaining awardees, these options have been "cured" and the exercise cost rebased to market value at the time of the award. The table above reflects the rebased exercise price.

2023 granted share options

During the period, IQGeo Group plc granted a total of 80,000 options of two pence each in the Company with exercise price of £2.087. The options vest in portions of one third on the first, second and third anniversaries of grant and have no further performance conditions other than ongoing employment on the date of vesting and of exercise. Awards will be subject to a two-year holding period from vesting point, with participants only permitted to sell shares sufficient to cover the exercise cost and any tax liability within this holding period.

Independent 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 2023 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 to the interim consolidated financial statements.

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 2023 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 IFRSs. 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 such as increase in market interest rates and cost of inflation in the UK, 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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
22 September 2023