Geospatial productivity & collaboration

IQGeo Group plc Annual Report 2019

Who are we?

IQGeo is a market leading developer of geospatial software for the telecoms and utility industries

IQGeo's end-to-end geospatial software for the telecoms and utility industries accelerates productivity and collaboration across enterprise sales, planning, design, construction and maintenance processes.
Our reality-centric solutions create and maintain a current, accurate view of complex network assets, dramatically improving data quality and currency.

The unique, mobile-first architecture of the IQGeo software platform streamlines operational processes using any device, in the office or in the field, enabling greater departmental collaboration.
We help network operators meet their digital transformation ambitions and operational KPIs by saving time and money, while improving safety and enhancing customer satisfaction.

Visit us online

www.iqgeo.com

In 2019, IQGeo won the prestigious Diamond award for our software products from Broadband Technology Report.

Highlights

2019 was a productive and successful first year for the new IQGeo following the disposal of the Ubisense RTLS SmartSpace business at the end of 2018. In 2019 IQGeo significantly grew its own product sales across all our target markets, launched a number of new products, and established a strong opportunity pipeline for 2020.

IQGeo own product orders (£m)

2019	7.5
2018	3.4
2017	6.8

+122%

M&S and subscription orders (£m)

2019	2.5
2018	0.8
2017	0.9

+213%

New logos won (Number)

2019	13
2018	11
2017	9

+18%

Recurring M&S and subscription revenues (£m)

2019	1.6
2018	0.9
2017	0.8

+78%

Across virtually every area of the business we've made good progress against strategic objectives.

Richard Petti
Chief Executive Officer

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At a glance

In response to increasingly competitive markets and the widespread deployment of new technology including IoT, smart metering, fibre and 5G, telecoms and utility network operators are undergoing a digital transformation revolution.

Those that embrace IQGeo's next generation geospatial software are realising measurable business benefits and gaining competitive advantage. IQGeo is helping customers to successfully meet their KPIs and manage the challenges of a changing business landscape, with its world-class software and a skilled team delivering innovative and cost-effective solutions.

Business KPIs for IQGeo customers

- Increase revenues
- Decrease operating costs
- Improve customer satisfaction
- Enhance operational safety

ROI investment case

- Empower field crews with mobile-first software to increase productivity
- Enable rapid decision making with current, accurate data
- Consolidate applications to reduce complexity and TCO
- Create a single source of truth to improve collaboration and safety
- Reduce repair times and improve customer satisfaction
- Accelerate time-to-market with faster design and construction

IQGeo market position

IQGeo is successfully challenging the technology and process status quo that has existed at telecoms and utility network operators for the past 20 to 30 years. Increasingly, these organisations realise that the fundamental architecture of legacy GIS is no longer fit for purpose or economically viable for their future digital transformation requirements.

The old model of specialised, expensive GIS professionals in the back office controlling operational processes simply cannot deliver a current, accurate network view that is essential to a digitally connected network.
In contrast to legacy GIS that takes a cartography-centric approach designed to create paper maps, IQGeo's distributed, mobile-first architecture uses a reality-centric approach. We create a living digital twin of the outside plant and network that incorporates a wide range of data streams into a single source of truth. This accurate, current network view empowers office-based staff and field crews to easily monitor, capture and edit network information.

At IQGeo we are helping our customers to rewrite the geospatial rulebook in order to meet their ambitious digital transformation objectives in a way that dramatically improves operational productivity and departmental collaboration.

Read more about our products and lifecycle on pages 16 and 17

The IQGeo global headquarters are in Cambridge, UK and we have regional sales and service offices in Denver, Frankfurt and Tokyo.

North America

Europe

Japan

New customers in North America during 2019

5

New customers in Europe during 2019

3

New customers in Japan during 2019

5

IQGeo product order growth in 2019

122%

Active end user software licences

45,000+

Telecoms and utility customers

50

New customer logos worldwide

13

Partner ecosystem

IQGeo has a growing partner ecosystem that provides a depth of experience and knowledge in specialist areas and extends the sales and support network for our software in regions of the world where we do not have a local presence.

Chair's statement

We have made good progress in delivering sales to new and existing customers and developing a richer suite of products.

In our first full year of trading since the disposal of the Ubisense RTLS business and brand, we have made good progress in delivering sales to new and existing customers and developing a richer suite of products.

This is also the first year that we have offered our customers the ability to purchase products under a subscription licensing model. Whilst this is still at a relatively early stage, it is creating the opportunity to expand and develop closer relationships with our customers. This more flexible commercial model has already provided the business with a good in-year revenue stream and secured a strong order book and pipeline for future revenue.

In 2019, the organisation had to quickly establish and build business focused on its geospatial platform. With an existing customer base and wide endorsement of the new business focus, the organisation worked hard in the early part of the year to develop both internal processes and customer opportunities. Whilst this led to a slower start to the year than we had anticipated, the second half saw greater stability, improved execution and better visibility on future growth.

Our three key geographical regions of North America, Japan and Europe all contributed to the growth of own product revenue. North America remains our biggest market and offers the greatest near-term opportunity where the customers are structured to allow the introduction of new technology more easily.

2019 also saw the release of several new and strategic software products. Workflow Manager streamlines our customers' construction and maintenance processes and Network Revenue Optimizer enables rapid and efficient quoting for network expansion. Both products were developed in conjunction with real-world requirements from existing customers, have already been sold to additional customers, and are included in our 2020 revenue pipeline. The most significant new product announcement of 2019 was our new Network Manager product that enables IQGeo to offer an end-to-end operational solution increasing our addressable market and revenue potential.

Paul Taylor
Chair

We have continued to develop our organisational capabilities by investing across all disciplines, providing a greater focus on sales and product delivery. We continue to see opportunities to invest in business growth, organisational efficiency improvement, and the delivery of higher margins in future periods. Investment that drives growth remains our primary focus.

These are exciting times for IQGeo. Our markets continue to strive for improvements in execution, where data quality and accessibility is key. IQGeo's products, customer relationships, and proof of delivery make us well positioned to benefit from such opportunities.

Results overview

Bookings of orders related to IQGeo own products increased by over 120% to £7.5 million during 2019 (2018: £3.4 million) following expansion of our presence in North America as well as adding new contracts in Europe and Japan.

IQGeo own product revenue has increased by 17% to £5.5 million (2018: £4.7 million) with growth driven predominantly by recurring revenue streams.

Gross margin for the year is slightly below last year, reflecting a subscription sales model with greater revenue deferral to future years. Consequently, historic trend comparisons are not relevant at this stage as the business transitions to higher subscription revenues.

Our balance sheet remains strong with a year-end cash position of £13.1 million. This is after returning £11.0 million to shareholders in September 2019. The strength of the balance sheet allows selective levels of investment and reflects the near-term cash impact on the business as it transitions to higher levels of recurring revenues.

Group strategy

We can see a clear opportunity in our target markets to grow quickly, enabling customers to realise significant collaboration and productivity improvements across their businesses.

Our priority is to deliver growth in our own product recurring revenue base through acquisition of new customers and further deployments with existing customers. We will continue to invest in developing our software with customer driven improvements in functionality including Network Manager.

The investment strategy will continue to be controlled, balancing growth achievements against the opportunity available, ensuring improved operating cash flows that turn positive within a few years.

Looking further out, we continue to assess the opportunity to significantly increase the addressable global market by developing a multi-tenant SaaS offering. There is an under serviced global opportunity to supply solutions to smaller network operators that have not historically had the resources or capital to invest in large-scale GIS systems.

Governance

As outlined later in this report, we continue our commitment to a high standard of corporate governance by maintaining the QCA Corporate Governance Code in our reporting structure. The Board continually reviews its composition and has made three Board level changes during the year.

As noted in the 2018 Annual Report, following a period of illness Peter Harverson resigned in February 2019. Recognising the need for additional experience in the target vertical markets, Andy MacLeod was appointed as an independent Non-Executive Director in June last year, bringing a wealth of telecoms industry experience to IQGeo.

Tim Gingell, CFO, has advised that he wishes to step down from the Board at the upcoming AGM to focus on his child's medical needs. Tim will however stay with the business, including remaining as Company Secretary, for a period beyond the AGM to help with an orderly and structured handover to his replacement. Tim has been with the business since 2015 and has been a key part of the management team over that period, developing the finance, IT and HR functions, executing on the Japan and Ubisense disposals in 2018, and establishing the IQGeo business. The Board would like to thank Tim for all his hard work and, whilst disappointed to see Tim step down, wish him and his family the very best for the future. The Board has instigated a search for a CFO and whilst this is at an early stage it is expected that a timely appointment can be made.

Oliver Scott (Kestrel Partners), who has been on the Board since May 2016, stepped down at the end of October 2019 and was replaced by Max Royde, who is an experienced non-executive director and co-founder of Kestrel Partners. I would like to thank Oliver for his support and guidance over the last two and a half years in helping deliver a well-funded and focused business.

The Board desires to improve diversity including consideration of gender, social and ethnic backgrounds in its members and the Company as a whole. However, it is keen, with its limited resources, to match the skills of available candidates with the responsibilities of open roles. Currently, this means that, with my CFO background, I will continue to act as chair of the Audit Committee, while Max Royde assumes chair of the Remuneration Committee and Robert Sansom continues to chair the Nomination Committee.

The Board recognises that it must evolve its Committee strategy as it grows in the future, noting that neither Max Royde nor Robert Sansom are Independent, and I have been a Non-Executive Director for over nine years. With these stated considerations, we feel that the skills and mix of its members best serve our current governance needs at this stage of the Group's development.

Organisation

In 2019 IQGeo has achieved rapid change and I would like to thank our committed staff in delivering an organisation that has prepared itself for growth and success. The Company remains totally focused on delivering geospatial productivity and collaboration solutions for our customers.

Future outlook

Opportunities within our markets continue to develop at pace as the organisations we serve, grow and evolve their digital transformation strategies. Our customer centric approach and first-class products are focused on closing these increasing opportunities and positioning IQGeo well for future growth.

Paul Taylor
Chair
6 March 2020

Chief Executive Officer's statement

A strong start for the new IQGeo.

2019 was a strong first year for IQGeo as a geospatial software-only focused business targeting the telecoms and utility industries. Across virtually every area of the business, we've made good progress against our key strategic objectives that I set out last year. Our three key goals for 2019 are summarised below:

1. Expand regional growth and market share
2. Grow subscription and recurring revenue base
3. Invest in product innovation to increase our competitiveness

We have established IQGeo as a leader in geospatial software focused on the telecoms and utility market, and successfully challenged our legacy Geospatial Information Systems (GIS) competitors with an exciting product suite and talented team.

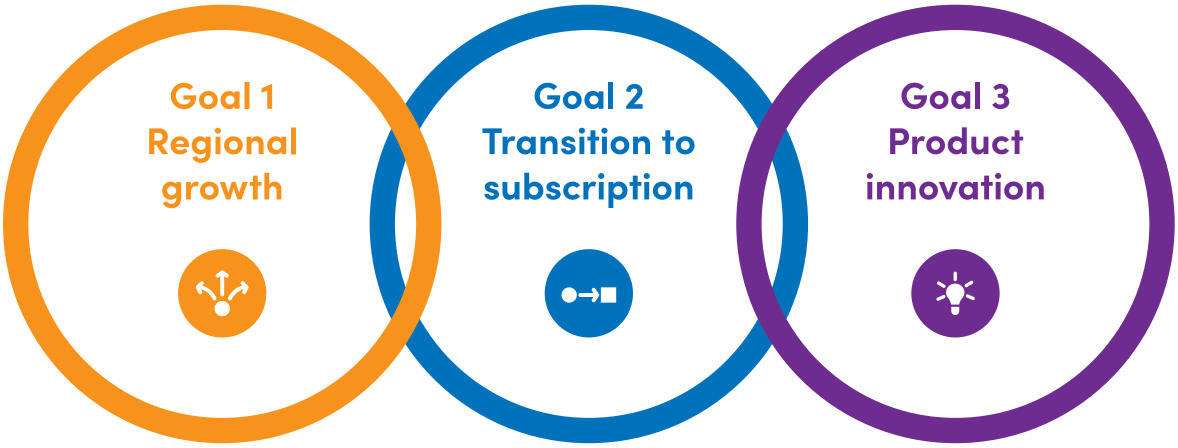
Our target market is now recognising that the previous GIS approach does not meet their current and future needs of a dynamic and responsive business. Our major competitors produce what we term 'cartography-centric' software. These systems were built 20 to 30 years ago to create paper maps using a centralised, proprietary architecture focused on a small group of geospatial experts. We believe this model is no longer fit for purpose. Our prospects and customers have shared how this legacy approach creates process bottlenecks and data quality issues that compromise a company's ability to increase productivity, quality and safety.

IQGeo offers a 'reality-centric' approach that reimagines the role of geospatial software by positioning geospatial capabilities across all departments that touch the network lifecycle (i.e. fibre, mobile, gas, water or electric). We can give all staff the design, survey, construction and maintenance capabilities they need at any time and in any location. The versatility of our solution means our products are rapidly adopted across an enterprise, providing our customers with a platform that drives transformation throughout their business.

We also see strong growth drivers across all our key markets. 5G and fibre are triggering large investments into telecoms, while smart grid and IoT technology, as well as the need for increased safety, is driving investments in utility networks. Thanks to our track record of strong Return on Investment (ROI) customer stories, we are now extremely well positioned to capitalise on these exciting industry changes.

Richard Petti
Chief Executive Officer

Our strategy



Read more about how we are delivering on our strategy on pages 14 and 15

Strategic goals

Market response to our reality-centric proposition has been very positive and enabled significant progress with our first strategic goal of **Regional Growth**. We have increased the number of logos (customers) to 50 across all operational territories and in all segments.

We hired two European sales directors in the first quarter of 2019 and have already secured new European customers in both the telecoms and utility sectors. Our small Japanese team added new customers in 2019 through our local partners in the utility sector. The North American operation also secured new telecoms and utility customers who provide a strong, referenceable installed base across most geographies in the US and Canada. We are not just pleased with the number of new logos but also their mix. We have secured both very large (organisations with over 20 million customers) and small customers (with up to 20,000 customers) while shortening sales lead times through more accurate solution targeting and opportunity qualification. This ability to mix customer sizes is extremely important because it means our market opportunity is much larger than if we were restricted to a single customer demographic.

Transition to Subscription is our second strategic goal. We have made great progress in transitioning our sales teams to selling subscriptions and we were delighted to see that 70% of all new software deals in 2019 were closed using a subscription model.

I do not foresee that we will abandon perpetual sales entirely in the future. Some new customers may insist on perpetual licensing and transitioning current customers away from their existing perpetual licensing arrangements will be a slower process. These exceptions aside, 2019 demonstrated that IQGeo can build a solid recurring revenue foundation that will reduce volatility of bookings and revenue in years to come.

Even during this launch year of our subscription service, customers have already begun to expand their initial user counts after successful field deployments. This model is extremely promising for IQGeo's year-on-year revenue growth potential. To further support ongoing customer growth, over the course of 2020 we will be emphasising account management with our sales team, will continue to develop our sales model to further accelerate sales, and will improve our customer procurement processes.

Our third strategic goal of **Product Innovation** was amply demonstrated by the release of several new products in 2019. This includes the highly innovative Network Revenue Optimizer that helps customers automate short cycle designs and quotations and our new Workflow Manager product (formerly Operations Manager and Construction Manager) that helps to reduce repair times and accelerate time-to-market. These new products have already been sold to existing and new customers, which is a great endorsement of IQGeo's ability to spot gaps in the market and create products our customers want to buy.

In recognition for software innovation, we were very pleased to receive two highly regarded Diamond Technology Awards in 2019 from Broadband Technology Report for our Network Revenue Optimizer and Capture products. Customers tell us that we are delivering world-class technology, but it is also extremely satisfying for the IQGeo team to be recognised by our peers in the industry.

In addition, we also announced in 2019 the impending release of our new Network Manager product in the first quarter of 2020 that allows us to tell a complete end-to-end enterprise solution story, and is already driving new business opportunities.

Chief Executive Officer's statement continued

We are pleased to report a very satisfying 120% growth in new orders worldwide.

Financial performance

Our objective for 2019 was to use some of the funds generated in the Ubisense disposal to invest in the IQGeo geospatial business and create momentum for future growth. I am ensuring that our management team is focused on the following performance KPIs for 2020.

1. Growth in orders. Here we are pleased to report a very satisfying 120% growth in new orders worldwide. While a high proportion of these are subscriptions, it means we enter 2020 with a backlog that has been strengthened by 40% compared to last year.
2. Growth in logos (aka customers). We're very pleased with an increase in customers to a total of 50 at the end of 2019, providing a platform for future growth.
3. Growth in recurring revenue. While our large increase in subscriptions has deferred revenue into future years, we have nevertheless managed to grow own-product recurring revenue by 78%.
4. Gross profit and margin. Gross profit and margin have fallen in 2019 as the business develops with a stronger subscription revenue stream that will deliver positive impact in future periods.

As we look forward to 2020 and beyond, we remain singularly focused on creating a business that combines high growth with good margins and cash generative capabilities.

The IQGeo team

Our accomplishments in 2019 would not have been possible without an exceptional team of people that create, promote, sell and support our award-winning products. Over the course of 2019 we strengthened our business across a number of key areas to achieve our improved performance. Organisational focus on sales teams, product development, services and product management, as well as HR initiatives, creates an attractive and high-performance work environment that delivers greater focus and higher productivity.

We have invested time and resources in developing our organisation because it is so central to the execution of our strategy. For this reason, I have been very pleased to see the positive responses from staff in our annual staff survey. The survey reflected improvements that we have made in communication, training, performance management and career management. This also included very positive responses to the questions 'Would you recommend IQGeo to a friend?' and 'Do you understand our vision and strategy?'.

2020 and beyond

As I look to the year ahead, I will be expanding our list of business goals from three to five. We will continue our focus on our initial three business goals while also concentrating the management team on account development and operating margins.

1. Expand regional market share maintaining the pace of logo acquisition.
2. Grow subscription and recurring revenue base.
3. Invest in product innovation.
4. Develop existing customer accounts. Our business model has shown that customers often spend more on our products in the second and third years than in the first. This means that the surge in new logos in 2019 creates a strong platform for upselling opportunities in the years ahead.
5. Improve operating margin. In 2019 our strategy of growing the organisation and increasing subscriptions has deferred operating margin to future years. It is a strategic priority to become a cash generative business in as little time as possible, while maintaining high growth rates in a market that has long sales lead times.

Market demand

Read more about how we are delivering for our customers on pages 18 to 21

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We remain positive about the prospects of continuing this progress, making IQGeo a strong growth business and attractive investment.

At IQGeo we are excited about the opportunities ahead of us. We see strong demand in all our markets globally and have timed the introduction of our new product offerings to help capitalise on the upgrade and expansion opportunities in our target markets.

The markets we target are largely uncorrelated to many of the global macro headwinds such as US-China trade relations, Brexit, UK retail gloom or declining European industrial output. The fundamentals in our target markets are largely isolated from global macroeconomic trends because network operators must maintain and upgrade their networks and outside plant assets, or risk permanently damaging their business models.

For these reasons, IQGeo is achieving growth in its core business independently of other market indicators and has excellent momentum entering the new decade. We remain positive about the prospects of continuing this progress, making IQGeo a strong growth business.

Richard Petti
Chief Executive Officer
6 March 2020

Market opportunity

IQGeo is actively targeting more than 10,000 contacts at 1,200 telecoms and utility network operators.

In 2019 IQGeo secured new customers across all three of our current sales regions of North America, Europe and Japan. To continue this successful growth, we have identified the specific markets, companies and individuals that we will be targeting with our marketing and sales campaigns in 2020. The market opportunity outlined on this page reflects the telecoms and utility network operators that have been identified as appropriate targets for our 2020 sales and marketing activities, rather than an attempt to define the total addressable market.

IQGeo has successfully established more than 50 telecoms and utility customers across our three sales regions. With a currently defined target market of more than 1,200 named network operators with over 10,000 contacts, there is significant long-term customer and revenue growth opportunity for IQGeo.

Future market opportunity

IQGeo's contact database is not static and is constantly being expanded and refined. We expect our market opportunity list to grow significantly over time as we identify new companies, release new products in adjacent areas and expand the business geographically.

Market segmentation

In this market opportunity analysis, we have segmented the targeted companies into Tier 1, Tier 2 and Tier 3 network operators. While the detailed definition of these three tiers varies between industries and across regions, it is possible to establish a general definition for how these tiers are segmented.

Tier 1
International or dominant national network operators.

Tier 2
Regional network operators that serve multiple states or regions.

Tier 3
Local network operators that serve a city or metropolitan area.

Within our database every network operator is identified by their appropriate tier. This allows the IQGeo sales and marketing team to deliver customised messaging and product positioning that reflects the most critical business issues for a given industry and tier.

Targeted marketing and sales campaigns

The IQGeo marketing and sales team is actively engaging with the companies and contacts outlined in this market opportunity summary. We reach out to these individuals through activities that range from automated digital marketing campaigns to onsite personal meetings. Constantly running multiple campaigns in parallel, we are focused on providing high value content that is carefully targeted to ensure it is relevant, informative and inspiring. It is the goal of marketing and sales to nurture and create a long-term working relationship with our targeted prospects, while growing our list of contacts year-on-year.

Example marketing campaign activities

- Email campaigns with high value content
- Tradeshows and customer conferences
- Thought leadership and product webinars
- Industry reports and sponsored research
- Participation in industry associations
- One-on-one sales meetings

North America

Europe

Japan

2020 go-to-market strategy

Key

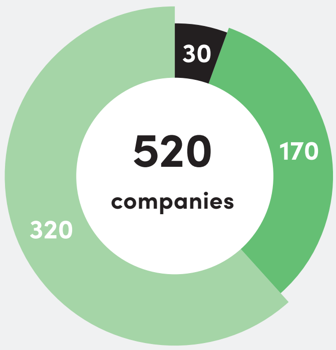
Tier 1 · Tier 2 · Tier 3

Global total targets		Global utility targets		Global telecoms targets	
1,210 companies	10,135 contacts	812 companies	5,510 contacts	398 companies	4,625 contacts

North America

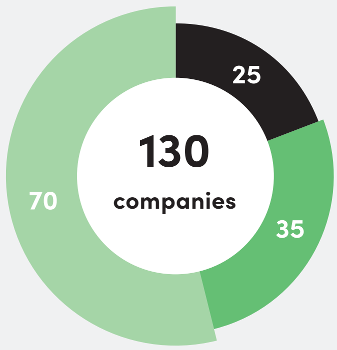
North America is IQGeo's largest and most mature sales region with a very healthy ecosystem in both the telecoms and utility industries. We are currently targeting more than 600 network operators in this region and see significant growth potential as we expand our product line offering into adjacent markets. We are establishing good market awareness with our North American target audience and have received positive market feedback on the momentum we are building.

Utility targets



4,700 contacts

Telecoms targets

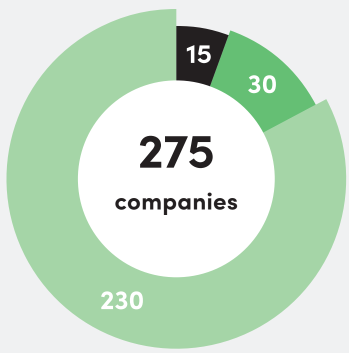


3,000 contacts

Europe

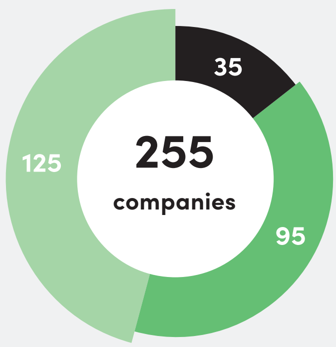
Europe is IQGeo's newest sales region. Established in the first quarter of 2019, the sales team has already secured telecoms and utility reference customers. We are currently targeting more than 500 network operators in this region with a particular focus on Central and Northern Europe. This region is a more fragmented market than North America with a different mix of Tier 1, Tier 2 and Tier 3 players, creating significant opportunity to identify organisations that are responsive to the IQGeo story.

Utility targets



700 contacts

Telecoms targets

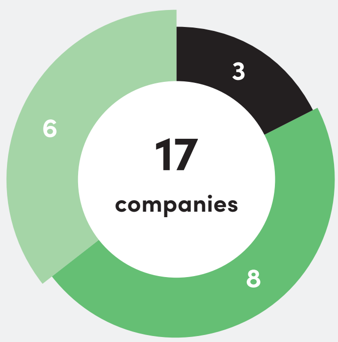


1,500 contacts

Japan

While Japan is IQGeo's smallest sales region, they were very successful in 2019, establishing new customers and expanding our product footprint with existing customers. Given our small team and the specifics of the Japanese market, we sell our software through several long-standing reseller partners. A smaller market than Europe and North America, we are currently targeting a well refined list of over 30 telecoms and utility network operators. Within the Japanese market there is significant revenue growth potential with these identified targets, as well as with our existing customers.

Utility targets



110 contacts

Telecoms targets

125 contacts

Our business model

IQGeo is successfully transitioning to a recurring software subscription revenue model. Our software quickly finds a strategic role within a new customer and the number of user licences and products expands over time with little customer churn. This combination creates a reliable recurring revenue stream with strong future growth potential.

Competitive advantage

At IQGeo we deliver clear and measurable business benefits to our customers, accelerating productivity and collaboration with our innovative geospatial software.

One customer reported a 33% reduction in new construction survey time.[1] Another customer has reduced yearly construction hours by 36,200.[1]

Customer partnerships

Once our software is installed at a new customer organisation, it rapidly finds a strategic role and often expands across other departments, allowing the IQGeo service and support team to form a strong working partnership. Armed with our portfolio of professional services, we routinely work on site with our customers in their environment and go into the field with their technicians to ensure we understand and support their unique business and technical requirements.

Advantages

Built for infrastructure companies

IQGeo's total focus on the telecoms and utility industries enables us to deliver highly optimised software solutions that streamline processes and dramatically improve operational productivity.

Mobile-first software

Key to delivering a current view of network assets that enhance departmental collaboration is a reality-centric approach that puts mobile operations at the heart of our software architecture. Our largest customer deployment to date exceeds 12,000 users.

Open and flexible platform

Cartography-centric legacy GIS imposes a proprietary, prescriptive architecture that adds complexity and limits agility. Unlike our competitors that still use centralised fat-clients, IQGeo has created a browser-based software platform with the latest open source technology that defines a new standard for flexibility.

Cost-effective to deploy

Often seen as the 'only game in town', legacy GIS vendors have created bloated, inefficient solutions with onerous partner ecosystems that cost millions to support. This legacy GIS model is broken and unsustainable. By contrast, IQGeo offers a lighter touch solution that is built for today's digital realities, cloud-ready, cost-effective, rapid to deploy and simple to maintain.

Our typical customer lifecycle

Year 1

Customer purchases first product with a small number of user licences.

Year 2

Customer expands the number of users for Product 1 and adds Product 2 with initial users.

Year 3

Customer expands the number of users for Products 1 and 2.

Year 4

Customer adds Products 3 and 4 while expanding users on Products 1 and 2.

Year 5

Customer continues to expand users across the deployed product suite.

Year 1

Software subscription revenue received from initial customers.

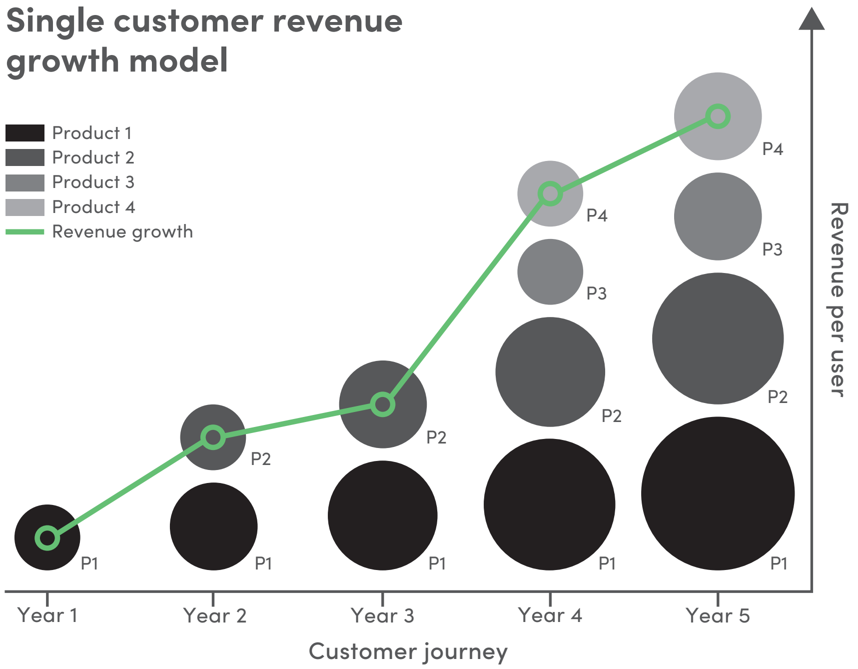
Years 2-5

Additional customers are added each year while existing customers expand their installations. This creates a healthy recurring subscription revenue stream with significant top-line revenue growth as new customers are added each year.

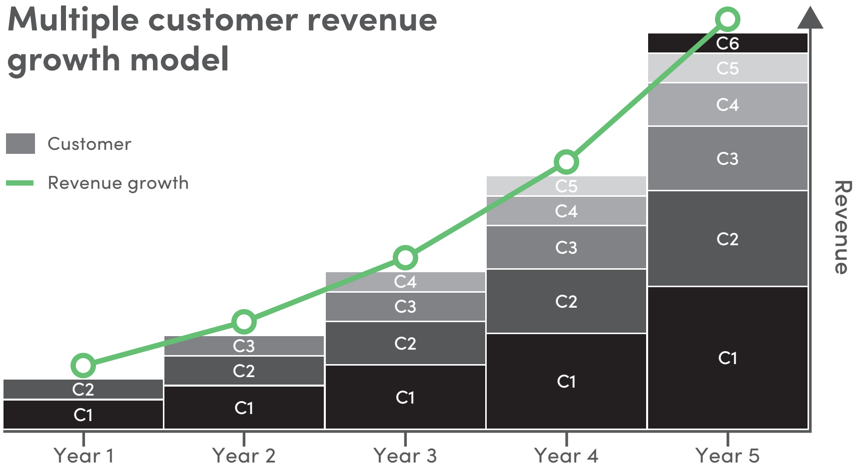
Underpinned by our culture/purpose

The success of the IQGeo business model depends on the long-term success of our customers. Our entire organisation is focused on creating and maintaining long-term customer partnerships.

Single customer revenue growth model



Multiple customer revenue growth model



From a prospect's first engagement with IQGeo, we listen, and we seek to understand their unique business and technical requirements in order to deploy a solution that evolves and grows with their changing requirements. In a world where our competitors propose complex, inflexible and costly configurations, the entire IQGeo team strives to deliver innovative, transparent and cost-effective solutions.

Providing software that exceeds customer expectations develops the trust and mutual commitment that ensures the long-term health of both our businesses.

Value created

Business

45,000+
Active users

50
Telecoms and utility customers

Customers

18%
Increase in new customer logos

33%
Reduction in new construction survey time[1]

36,200 hours
Reduction in construction project hours per year[1]

Employees

8.30/10
Employees would recommend IQGeo as an employer

8.38/10
Employees understand the strategy and objectives of IQGeo

1. ROI figures are quoted from specific customer deployment examples.

Our strategy

In 2020 IQGeo will continue to focus on our three key growth strategies and build on the significant progress made in 2019.

The business will remain focused on developing the customer base in our core geographies, expanding the scope of our product portfolio, and ensuring the long-term success of our software subscription licensing model.

Goal 1 Regional growth

Progress during the year

Our regional growth goals for 2019 were to establish an initial customer base in Europe, build on the strong, but small, utility customer base in Japan and acquire a significant number of new customers in our already well established North American market. We have achieved significant success against all these objectives.

5 new logos in North America

3 new logos in Europe

5 new logos in Japan

Goal 2 Transition to subscription

Progress during the year

We made substantial progress during 2019 in our transition from a perpetual to a subscription-based software licensing model. All software quotes are now issued with subscription pricing by default and the response to this model has been well received by new customers. Recurring subscription revenue is showing healthy growth with 70% of all new sales using our subscription model.

Goal 3 Product innovation

Progress during the year

We released three new products that enhance construction, maintenance and sales productivity. These products have already been sold to new and existing customers and feature prominently in our pipeline development. This is part of our strategy to build a complete suite of products that deliver value across the entire network lifecycle, allowing IQGeo to attack adjacent market opportunities, while expanding penetration with existing customers.

Our future goals

New logos plus revenue growth in existing accounts

In 2020 we will continue to focus on these three regions with our direct sales force to acquire new logos and expand the annual revenue we received from existing customers through user growth and the sale of new products. We will explore reseller partner relationships in 2020 as a possible route to market in geographic territories where IQGeo does not have a direct sales force.

Case study

Gigaclear **"One source of truth"**

Read more on pages 18 and 19

Our future goals

Grow business based on strong recurring revenue

In 2020 we issued a revised, and greatly simplified, price list that makes the value of a subscription model more transparent to our customers. Our sales team understand the value subscription pricing brings to our business and will continue to be incentivised on subscription sales.

70%

of new customer orders in 2019 used subscription pricing

Our future goals

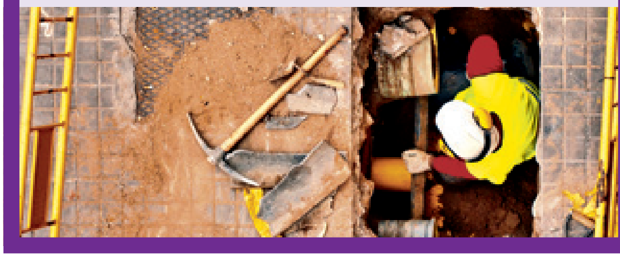
Launch schedule for major new products

In 2020 we will be rolling out the release of a major new geospatial design and editing product called Network Manager. In combination with the IQGeo software platform, this disruptive new product creates an end-to-end enterprise offering that enables us to target larger, long-term deal opportunities with a product line and value proposition that cannot be matched by our legacy GIS competitors.

Case study

NW Natural **"Reducing technical debt"**

Read more on pages 20 and 21



Our products

The IQGeo Platform and applications provide powerful office-to-field solutions that enable infrastructure network operators to reimagine the benefits that geospatial technology brings to their entire business. Our software is in the field where the action happens, providing a current view of the network assets that dramatically streamlines processes and improves data quality.

What makes IQGeo different

Unlike the software from legacy GIS vendors that use a centralised, process-heavy architecture dependent on highly specialised engineering resources, IQGeo provides an end-to-end solution with measurable ROI that increases productivity and collaboration across the entire organisation.

Field and office staff are empowered to monitor, capture, visualise and manage geospatial network assets without specialised training.

The IQGeo advantage

There are four key business and technical advantages that are recognised by our customers as critical considerations when choosing to work with the IQGeo technology and team.

1 – Built for network operators

IQGeo's end-to-end enterprise solutions are designed specifically for use by telecoms and utility network operators. Our optimised software and industry experts help customers to streamline processes across their network lifecycle, delivering greater productivity from the office to the field.

2 – Mobile-first architecture

IQGeo's mobile-first software democratises the use of technology. We enable approved users to view, manage and edit a current network view from any mobile device, anywhere, online or offline. The easy-to-use interface is rapidly adopted by field and office staff, improving collaboration across the business.

3 – Open and flexible

Using the latest browser, open source and flexible data model technologies allows IQGeo customers to fully leverage a wide range of GIS, IoT and application data sources. They can also rapidly configure and customise their implementation. In combination this creates a unified geospatial view of their network that represents a single source of truth for rapid, accurate decision making.

4 – Fast and cost-effective to deploy

The IQGeo solutions are a fraction of the cost of deploying and supporting legacy GIS environments. Our open and flexible contemporary architecture avoids the need for expensive specialised training and hardware, and reduces the number of required applications.

Customers often complete new deployments in a matter of weeks, reducing technical debt and improving ROI.

IQGeo's easy-to-use, flexible software is readily adopted by IT, office and field staff, rapidly spreading across the enterprise and delivering business transformation.

We continue to develop new applications on top of the IQGeo Platform that target different departments with very specific operational benefits. These range from an integration with Salesforce to accelerate sales response and close-rates, to workflow management that improves the efficiency and productivity of construction and maintenance crews. The IQGeo Platform and applications work together to deliver an end-to-end, cloud-enabled enterprise solution that addresses business critical needs across the entire network lifecycle.

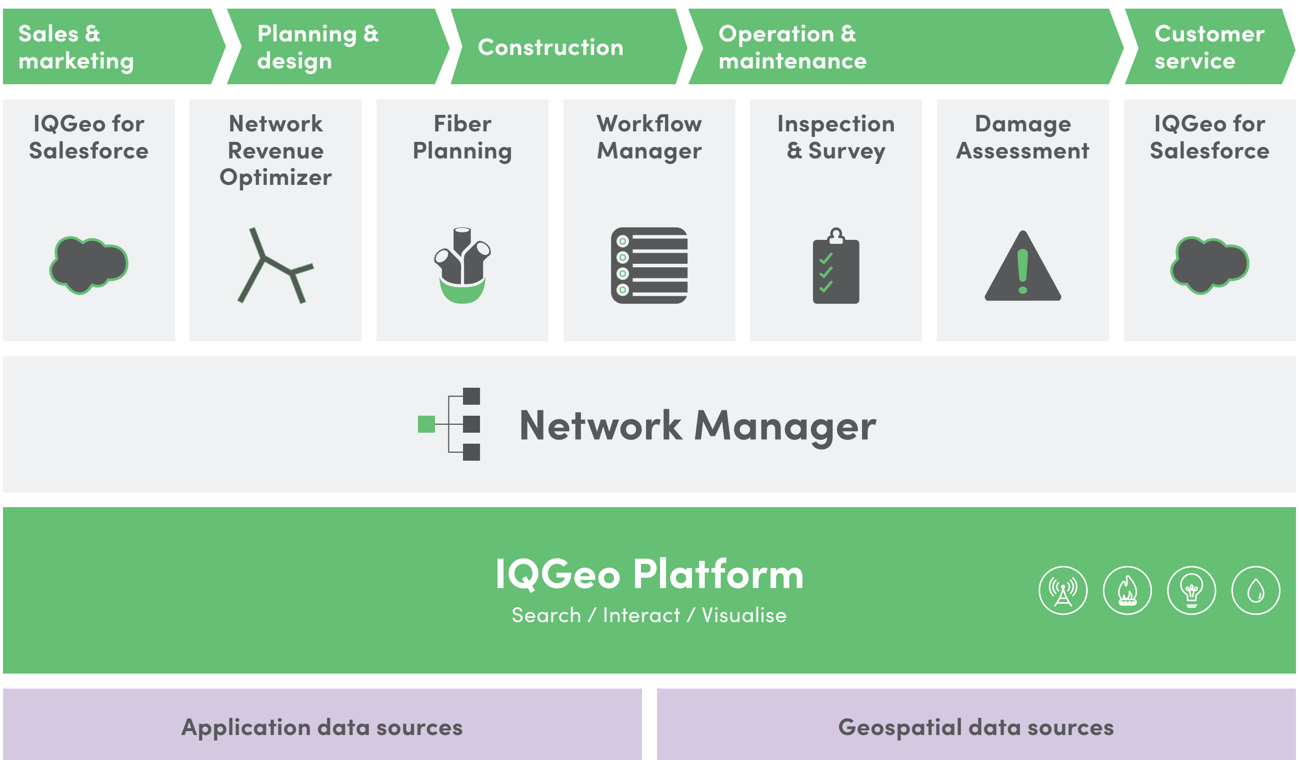
The launch of Network Manager

In 2020 we are releasing a major new geospatial design and editing product called Network Manager. In combination with the IQGeo software platform, this exciting new product allows IQGeo to compete head-to-head with legacy GIS vendors by offering a complete end-to-end enterprise solution.

It is an easy-to-use, powerful solution that enables office staff and field crews to view, manage and edit network information, dramatically improving collaboration, process efficiency, and network data quality.

Network Manager raises IQGeo's market visibility, broadens the addressable market, while increasing deal sizes and our potential for long-term subscription revenue. Network Manager is already included in our 2020 pipeline in a number of strategic sales opportunities.

Lifecycle diagram



Case study

Single source of truth accelerates construction projects

Gigaclear®

Goal 1
Regional growth

Introduction

IQGeo is accelerating the speed of Gigaclear's construction projects while improving collaboration and oversight with external contractors. As one of the UK's leading rural full-fibre broadband providers, Gigaclear selected IQGeo's geospatial software following a competitive search process.

Case study overview

Built for the edge of the network, IQGeo's geospatial platform and Capture solution enables Gigaclear engineers to walk the route of their broadband network with external contractors, recording data and submitting changes on their mobile devices.

Given the rural nature of their network, the ability to capture field data while offline was a major consideration in the selection of IQGeo. Delivering a single source of trusted information improves collaboration with third party contractors and allows all stakeholders to monitor status and field updates, while streamlining processes and increasing productivity.

Customer statistic

Gigaclear designs, builds and operates a full fibre, ultrafast broadband network in rural areas across central and southern England. Established in 2010, its network now reaches more than

200

communities across many counties.

Gordon Perry,
Technical Director – Gigaclear

As a rural operator, we have really struggled to find products that work for us so were forced to rely on printed work orders and field updates. Offline support, validating designs and version control were causing us major headaches. Thanks to IQGeo, these are now problems of the past!

Find out more:
info.iqgeo.com/customer-stories

It was our intent to build a field capture solution internally, but decided to explore what was commercially available first. We were impressed with IQGeo's solution from the outset. The team immediately understood our challenges and delivered a presentation and Proof of Concept that addressed our biggest concerns. We continue to be impressed by both the team and the software, which has exceeded our initial expectations.

Gordon Perry
Technical Director at Gigaclear

Case study

Reducing technical debt

NW Natural

Goal 3
Product innovation

Introduction

IQGeo's geospatial software has enabled North West Natural (NW Natural) to move away from legacy paper-based processes for back office and field activities, improving situational awareness and increasing operational efficiency. The utility now has real-time network data available across the organisation, accelerating response times and decision making. The platform provides a single, consistent network view that was quickly adopted by field crews and office staff. The data consolidation capability of the IQGeo software also allowed them to eliminate the use of redundant applications, reducing the technical debt of their IT systems.

Case study overview

NW Natural found a partner in IQGeo that delivered the industry focus, vision, innovation and agility needed to rapidly support the specific requirements of their users. By constantly updating and sharing real-time, accurate network data, IQGeo's mobile-first solution gives NW Natural business critical insights. They can now make informed decisions in critical scenarios such as pipeline management, damage prevention, emergency response, regulatory compliance, work allocation and routing and more. The IQGeo Platform and Inspection & Survey product also improve operational efficiencies by removing complex and manual processes and cutting as-built backlogs.

Jim Downing, CIO – NW Natural

IQGeo has the agility that we were looking for as well as the leadership in this space and I think those two factors sealed the deal for us. We knew that we would be in good hands.

Find out more:
info.iqgeo.com/customer-stories

Customer statistic

North West Natural is one of the largest natural gas suppliers in the state of Oregon; it has about

750,000

meters and about 2 million customers.

As a senior leader of our IT&S organisation, I'm thinking about how I simplify our portfolio, how I consolidate applications and reduce the amount of technical debt. By doing that I'm making a significant investment but I'm also reducing the portfolio of the complexity and the cost at the same time. If anyone is looking at considering IQGeo, don't forget about the horizontal platform. Drive out the technical debt, reduce your complexity and give IQGeo a good look.

Jim Downing
CIO – NW Natural

Key performance indicators (KPIs)

Progress against strategic objectives.

IQGeo own product orders (£m)

£7.5m +122%

2019	7.5
2018	3.4
2017	6.8

IQGeo own product orders have increased by 122% following expansion of our presence in North America as well as adding new contracts in Europe and Japan.

Link to strategy

Software orders (£m)

£1.5m +50%

2019	1.5
2018	1.0
2017	3.0

Software orders have increased by 50% despite the focus on adding customers on a subscription basis during 2019.

Link to strategy

M&S and subscription orders (£m)

£2.5m +213%

2019	2.5
2018	0.8
2017	0.9

Transition of the licencing model to a recurring revenue subscription basis has been successful with total M&S and subscription orders increasing by 213%.

Link to strategy

IQGeo own product revenue (£m)

£5.5m +17%

2019	5.5
2018	4.7
2017	5.8

IQGeo own product revenue has increased by 17% with growth driven predominantly by recurring revenue streams.

Link to strategy

Recurring M&S and subscription revenues (£m)

£1.6m +78%

2019	1.6
2018	0.9
2017	0.8

78% growth in recurring revenues with 70% of all new customers being secured on a subscription basis.

Link to strategy

Gross margin (%)

42% -2%

2019	42
2018	44
2017	39

While the revenue mix has moved in favour of higher margin software, subscription and maintenance and support revenues, the significant reduction in services revenue which has a fixed cost of delivery, has led to an overall decline in the gross margin.

Link to strategy

New logos won (Number)

13 +18%

2019	13
2018	11
2017	9

New logos were won in all operating regions during 2019, with the regional customer base becoming more diverse as markets are developed.

Link to strategy

Net cash (£m)

£13.1m -58%

2019	13.1
2018	30.9
2017	6.6

Net cash decreased to £13.1 million following the completion of the share buy back which saw the return of £11.0 million to shareholders.

Link to strategy

Employee headcount at 31 Dec (Heads)

71 +20%

2019	71
2018	59
2017	83

Headcount has increased as a result of investment in sales channels in both the North American and European telecoms and utility markets, along with investment in product development to create the next generation geospatial platform.

Link to strategy

Key

Regional growth

Transition to subscription

Product innovation

Chief Financial Officer's statement

The increase in recurring revenues is a significant step towards achieving sustained profitability.

The Group is focused on growing IQGeo own product revenues which include generating recurring revenues from software subscription products, selling perpetual software licences and the associated maintenance and support contracts, and delivering consultancy services revenues. Additionally, the Group has a legacy operation that provides lower margin consultancy services connected to third party products which have declined in the current period – in line with expectations, and may decline in future periods.

During 2019, the commercial model evolved with a strong focus on building a recurring revenue subscription-based software business through long-term relationships with customers. The subscription offering has been attractive to potential customers with 70% of all new customers being contracted on a subscription basis.

Increasing Annual Contracted Value (ACV) is the benchmark of securing recurring revenue growth and achieving sustained profitability. The ACV won during 2019 from new subscription contracts was £0.7 million, which, in addition to the ACV associated with maintenance and support of perpetual licence sales, gives total ACV as at 31 December 2019 of £2.0 million (31 December 2018: £1.1 million) – an increase of over 80%.

Orders

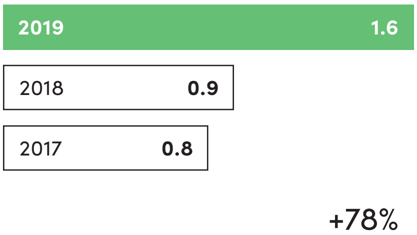
Bookings of orders related to IQGeo own products increased by over 120% to £7.5 million during 2019 (2018: £3.4 million) following expansion of our presence in North America as well as adding new contracts in Europe and Japan.

Bookings of orders related to third party Geospatial Services were £1.6 million (2018: £4.8 million) reflecting the managed decline in this legacy revenue stream.

IQGeo own product order backlog as at 31 December 2019 was £3.7 million (2018: £1.6 million). Third party Geospatial Services order backlog was £1.4 million (2018: £2.1 million).

Tim Gingell
Chief Financial Officer

Recurring own product revenue (£m)



Revenue

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

Revenue by stream	2019 £'000	% of total revenue	2018 £'000	% of total revenue	Year-on-year growth
Software	**1,589**	**20%**	1,395	14%	14%
Services	**2,328**	**30%**	2,424	24%	(4)%
Non-recurring own product revenue	**3,917**	**50%**	3,819	38%	3%
Maintenance and support	**1,251**	**16%**	918	9%	36%
Subscription	**381**	**5%**	—	—	N/A
Recurring own product revenue	**1,632**	**21%**	918	9%	78%
Total own product revenue	**5,549**	**71%**	4,737	47%	17%
Geospatial services from third party products	**2,257**	**29%**	5,242	53%	(57)%
Total revenue	**7,806**	**100%**	9,979	100%	(22)%

The transition of the commercial model to a subscription-based software business enables more customers to start with smaller deployments which can then be grown over time. Ultimately this approach will provide greater stability to income and operations in future periods but will have the impact of deferring revenue in the short term.

Despite 70% of all new customers being contracted on a subscription basis, software sold as a perpetual licence increased by 14% during 2019. In addition to software sales to new customers, IQGeo has sold further user licences and achieved product expansion within its existing customer base.

Services revenues associated with IQGeo products has decreased by 4% during the year, largely due to the timing of project delivery.

Maintenance and support revenues associated with perpetual licence sales has increased by 36% during 2019 due to an increase in users of the software and a strong renewal rate of annual contracts.

Subscription revenues of £0.4 million have been recognised in respect of contracts won during the 2019 period. These contracts have an associated ACV of £0.7 million with committed terms ranging between one and three years.

Gross profit

Gross profit	2019 £'000	Gross margin %	2018 £'000	Gross margin %	Gross margin variance
Gross profit/gross margin	**3,243**	**42%**	4,380	44%	(2)%

Gross margin percentage has decreased during 2019 by 2%. While the revenue mix has moved in favour of higher margin software, subscription and maintenance and support revenues, the significant reduction in total services revenue which has a fixed cost of delivery, has led to an overall decline in the gross margin during 2019. Increases of recurring subscription and maintenance and support revenues, together with improved margins on services revenue, are expected to drive an improvement to both gross profit and gross margin percentage in future reporting periods.

Chief Financial Officer's statement continued

Operating expenses and adjusted EBITDA from continuing operations

Operating expenses were £9.5 million (2018: £6.0 million) and are summarised as follows:

	2019 £'000	2018 £'000
Other operating expenses	**8,091**	5,446
Depreciation	**285**	273
Amortisation and impairment	**815**	774
Share option expense	**102**	248
Unrealised foreign exchange on intercompany trading balances	**110**	(151)
Non-recurring items	**136**	(619)
Total operating expense	**9,539**	5,971

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

Sales costs have increased during 2019 as a result of headcount being added to develop sales channels in the North American and European utility and telecoms market. Sales headcount has increased by over 25% during the year with all new hires being quota carriers.

Product management and development headcount has increased by over 120% during the year as the Group focuses on creating the next generation geospatial platform.

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

Non-recurring costs in 2019 relate to the cost of completing the capital reduction and subsequent repurchase of share capital.

The operating loss for the period from continuing operations was £6.3 million (2018: £1.6 million).

EPS and dividends

Adjusted diluted loss per share from continuing operations was 8.8 pence (2018: 3.0 pence). Reported basic and diluted loss per share from continuing operations was 9.4 pence (2018: 2.2 pence). The Board does not feel it appropriate at this time to commence paying dividends.

Discontinued operations

During 2019, the Group received an additional £1.1 million cash consideration in respect of the RTLS SmartSpace business unit disposal as a result of the finalisation of the completion accounts. This sum was greater than the £0.8 million asset recognised within the balance sheet as at 31 December 2018. This cash inflow was offset by the settlement of £1.8 million of costs associated with the disposal being paid.

No additional asset has been recognised for potential earn-outs on the disposal which could be up to maximum of £3.0 million. The earn-out will be triggered if revenue milestones of the RTLS SmartSpace business unit are achieved for the year ended 31 December 2019. As at the date of this report, the final results of the RTLS SmartSpace business unit for the year ended 31 December 2019 are not available.

Repurchase of share capital

On 2 August 2019, the Company announced a proposed tender offer to repurchase up to a maximum of 28,260,869 of the Company's Ordinary Shares at a price of 46 pence per Ordinary Share. Following approval of the tender offer by a General Meeting of shareholders on 22 August 2019, the tender offer completed on 30 August 2019, resulting in the share capital reducing by 23,803,690 and £11.0 million of surplus funds being returned to shareholders in September 2019.

Consolidated statement of financial position

As at 31 December 2019, the Group had a cash position of £13.1 million with no debt (2018: £30.9 million), noting that £11.0 million was returned to shareholders in September 2019.

On 20 December 2019, the Group entered into a seven year lease running to February 2028 on new premises in Denver as the lease on the existing premises in Denver ends on 30 April 2020. While the lease agreement has been contracted, a capital asset for the present value of the future payments, and its associated liability, have not been recognised on the balance sheet in accordance with IFRS 16, as the lease period will not commence until March or April 2020. In addition, £0.2 million fit-out costs net of landlord's contribution will be incurred in the first half of 2020.

Non-current assets

Total non-current assets were £3.8 million (2018: £3.6 million).

Capitalised development costs represent the key intangible assets of the Group, being investment in IQGeo own products, which will support the future growth of the business. Capitalised development costs at 31 December 2019 were £1.5 million (2018: £1.2 million) with the increase reflecting the investment in the IQGeo product suite. No change has been made to the current three-year amortisation period, due to the fast-moving nature of the technology.

The consideration for disposal of the RTLS SmartSpace business included £2 million in a rollover investment into the sold business and accordingly an investment asset of £2 million is recognised as at 31 December 2019 (2018: £2 million).

Current assets

Total current assets decreased to £15.4 million (2018: £34.5 million) with £11.0 million of cash being returned to shareholders via the share repurchase during the year.

Total assets

Total assets decreased to £19.2 million (2018: £38.1 million) which includes £13.1 million (2018: £30.9 million) of cash.

Current liabilities

Total current liabilities decreased to £3.3 million (2018: £5.5 million) driven by trade payables decreasing to £0.3 million (2018: £2.2 million).

Non-current liabilities

Total non-current liabilities remained at £0.3 million year-on-year.

Net assets

Net assets decreased to £15.6 million (2018: £32.3 million).

Cash and cash flow

Operating cash outflow before working capital movement was £4.9 million (2018: £0.4 million inflow).

Operating cash outflow from operating activities after adjusting for working capital and tax was £4.7 million (2018: £0.9 million inflow).

The Group had investment outflows of £1.9 million (2018: £24.3 million inflow) due to cash flows associated with the RTLS SmartSpace business unit disposal and expenditure on capitalised software development costs.

Cash outflow from financing activities was £11.2 million (2018: £3.5 million) primarily due to the repurchase of share capital in September 2019.

Tim Gingell
Chief Financial Officer
6 March 2020

Principal risks and uncertainties

Effective risk management is critical to the achievement of the Group's long-term growth.

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

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

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

Strategic risks

Principal risk and impact	Mitigation of risk	Change	Strategy
Growth management Near-term expansion is expected in the future to develop existing markets and to expand into new markets. The risks associated with growth include the delivery of market penetration through the conversion of the sales funnel, and control of increases in fixed operating costs to support revenue growth. If the Group is unable to manage expansion effectively, its business and financial results could suffer. If the Group is unable to deliver growth to exceed the costs of operation then ultimately its cash resources will be fully consumed.	• Subscription revenue model provides greater stability to income and operations in future periods. • Close monitoring of business development strategy and regular reviews of the sales opportunity pipeline at Board meetings. • Head office support of regional office development in the event of accelerated regional growth. • Development of systems and processes that can scale with the business while maintaining good financial management. • Close monitoring of gross margin including resource allocation and utilisation on services projects. • The costs within the business are closely monitored to ensure they remain in line with the growth trajectory, and cash flow outlook, of the business.		
Continuing investor confidence Access to future capital may be required as the business develops. Growing market capitalisation and good investor relations coverage will be viewed positively by existing and potential customers.	• Clearly defined medium and long-term strategy. • Regular meetings with investors as part of the financial results reporting cycle. • Improved communication to articulate business performance and strategy.		
Dependence on key customers The Group has a concentrated customer base, many of which are substantially larger enterprises than the Group. The Group is reliant on significant projects with its key customers to deliver financial results. The conversion of opportunities to signed contracts and then the subsequent timing of the projects is not fully under the control of the Group.	• The Group's management performs regular reviews of the opportunity pipeline, including critical stages to complete the larger deals with status reported at Board meetings. • Increase the breadth of the opportunity pipeline through recruitment of more quota-carrying sales and pre-sales personnel. • The Group continues to invest in the key customer relationships that it has successfully retained over many years, while also maintaining a strategy to extend and diversify its customer base.		

Principal risk and impact	Mitigation of risk	Change	Strategy
Customer satisfaction and retention The subscription model is attractive to some customers as it provides flexibility and reduces the initial investment required to adopt the IQGeo Platform. Poor customer satisfaction would impact renewal of subscription and maintenance and support contracts. Expansion of additional users and new products is anticipated within our typical customer lifecycle. This strategy would be limited in the event of poor customer satisfaction. Barriers to entry into the market are high with proof of delivery in customer environments essential. The Group operates in a market with a small number of significant customers and reputational damage through poor customer satisfaction could be significant. Additionally, poor customer satisfaction could result in delays in the timing of customer payments which would reduce the working capital available to the Group.	• Maintain regular communications with customers. • Ensure appropriate level of resources are applied to key customer accounts. • Deal with issues quickly through a clear escalation path. • Investment in product enhancements with a focus on understanding customer needs.	Increase	Regional growth Transition to subscription Product innovation
Technological risk The Group operates in an industry where competitive advantage is heavily dependent on technology. Technological development may reduce the importance of the Group's function in the market. Slower adaption of disruptive technologies within the markets we operate will impact on revenue unless the benefits of the IQGeo Platform are clearly communicated.	• Regular monitoring of the industry and advances through participation in research forums. • Review of the product roadmap by the Board to ensure competitiveness. • Continued investment in technologies that meet customer needs. • Monitoring of planned R&D to ensure resources are allocated to deliver advances that are aligned to the Group strategy, linking investment to commercial viability and return on investment.	No change	Product innovation
Coronavirus Covid-19 or other pandemics The ability to build pipeline, develop opportunities and service customers needs direct customer interaction which is often most effective on a face to face basis requiring travel. The ability to travel is, and may further, be impacted by travel restrictions. Key trade shows may also be cancelled. Customer decision-making may be delayed by operational priorities or a broader economic downturn. IQGeo's offices and those of its customers may be affected by temporary quarantine measures. Global economic downturn caused by virus spread may slow down investment plans for IQGeo target customers.	• Maintain regular communications with customers. • Visit customers as normal where travel policy allows. • Be aware of potential impact to customer operations. • Maintain Cloud based infrastructure for IQGeo's IT systems. • Implement travel and quarantine policy for staff as well as comprehensive work from home capabilities in the event of extended office closures. • Pipeline and forecast will be risk weighted appropriately to reflect impact of virus.	New	Regional growth

Key

Increase Decrease No change New

Regional growth Transition to subscription Product innovation

Principal risks and uncertainties continued

Operational risks

Principal risk and impact	Mitigation of risk	Change
Staff recruitment and retention The Group's success is substantially dependent upon recruiting, retaining and incentivising senior management and key technically skilled employees, the loss of whom could have an adverse impact on the performance of the business.	• The Group has in place appropriate incentive structures to attract and retain the calibre of employees necessary to ensure the efficient development and management of the Group. • The Group has implemented Employer of Choice initiatives including career planning and organisational development. • Succession planning in key positions across the business functions.	⊖
Legal and regulatory breaches The Group is required to comply with local laws, regulations and legislation in each jurisdiction in which it operates. These include compliance with financial reporting and conduct requirements, Health & Safety, Data Protection and anti-Bribery rules. Failure to comply with local laws may result in the cessation of the ability to trade in that jurisdiction, fines or the allocation of resources to perform corrective actions.	• The Group monitors new developments taking input from local advisers. • The Group regularly reviews its processes to ensure that the risk of default is minimised. • The Group maintains Privacy Shield accreditation allowing for the sharing of personnel information between the US and EU.	⊖
International trade On 31 January 2020, the UK left the European Union. The risks include a potential increase in the level of market volatility and barriers to trade between the UK and the EU following the end of the transition arrangements on 31 December 2020. The Group is exposed to economic downturn within the markets in which it operates.	• IQGeo Germany GmbH, a German based subsidiary of IQGeo Group plc, will contract with new customers based in the European Union. • The Group's customer sales are spread across multiple territories which will partially mitigate against a downturn in any one region.	⊖
Digital infrastructure and cyber security Breaches of the Group's digital security through cyber attacks or otherwise, or failure of the Group's digital infrastructure, could seriously disrupt operations, including the provision of customer services and result in the loss or misuse of sensitive information, legal or regulatory breaches resulting in potential liability, and reputational damage among the customer base leading to a decline in revenues.	• The Group continues to invest in resources in enhancing site resilience and defences, improving network monitoring and reviewing the incident response processes to mitigate the impact of a security breach. • The Group ensures all employees receive training and testing to improve their awareness of cyber-threats. • Short and medium-term cyber security plans are regularly reviewed by the Board.	⊖

Financial risks

Principal risk and impact	Mitigation of risk	Change
Clawback in respect of RTLS SmartSpace sale On 31 December 2018, the Group disposed of its RTLS SmartSpace business. The sale agreement included a number of warranties which would allow the new owners of the RTLS SmartSpace business to clawback consideration paid, should additional liabilities crystallise at a later date.	• The Group has worked extensively with external advisers in concluding the transaction.	↓
Taxation The Group operates globally and is exposed to international tax laws. Changes to taxation legislation would have an adverse impact on the working capital and profitability of the Group.	• The Group reviews local compliance and upcoming changes to legislation with its advisers and continues to update forecasts accordingly.	⊖
Foreign exchange risk The Group's international operations expose it to a number of risks that include the effect of changes in foreign currency exchange rates. A major proportion of the Group's receivables and payables is currently denominated in Canadian Dollars and US Dollars.	• The Group relies on a partial natural hedge of Canadian Dollar, US Dollar and Japanese Yen receivables being in the same currency as the local operation's payables. • The Group's working capital is forecast and monitored in the local currency of each subsidiary allowing the foreign currency exposure across the Group to be reviewed.	⊖
Financial reporting risk In preparing the financial statements, the Group makes accounting estimates that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year. These judgements are detailed further in note 3 to the financial statements and include revenue recognition and product development costs.	• In forming our accounting judgements, management discuss estimates with internal experts within the IQGeo Group to ensure all relevant facts are understood. • The underlying fact pattern and conclusions reached in making accounting judgements are discussed in detail with the Audit Committee of the Group.	⊖

All risks reported in the prior year are still considered to be risks and are reported above.

The Strategic Report was approved by the Board of Directors on 6 March 2020 and signed on its behalf by:

Tim Gingell
Chief Financial Officer
6 March 2020

Key

↑ Increase ↓ Decrease ⊖ No change ⊕ New

Environment, employee engagement and CSR

2019 was a turning point for the business and it showed in nearly every aspect of employee experience.

Environment

Acting with environmental responsibility is part of IQGeo's daily activity and we take steps to reduce our impact on the environment where we can. We have significantly decreased the amount of printed material and plastic used across all of our offices. For example, our 2019 Annual Meet-up was a plastic-free event, providing reusable water bottles for all delegates to avoid the use of plastic cups and bottles. We have also given all employees these reusable bottles to help reduce the purchase of plastic water bottles across our offices. For all events that we attend, we have cut the use of printed materials and developed an online app for people to order digital collateral that is delivered as a PDF.

For environmental and financial reasons, we seek to minimise business travel to save costs and reduce the carbon footprint of the organisation. We look for opportunities to conduct internal and external business meetings via conference calls whenever possible and, when we do travel, we seek to maximise our onsite activities in order to reduce future travel requirements. In 2020 we will be looking to further expand our environmental programmes and initiatives.

Employee engagement

2019 was a turning point for the business and it showed in nearly every aspect of employee experience. Our recent staff survey showed a surge in energy and confidence that followed our new product line vision and go-to-market strategy.

We continue to provide key elements to staff that support our Employer of Choice initiative, including

- Interesting and challenging work with new products such as Network Manager and engagement with exciting new customers
- Career development having promoted ten employees and transferring three into new roles with other departments
- Recognition during our all-hands meetings when we thank members of staff for outstanding achievement

IQGeo global staff distribution

Key

- USA
- UK
- Germany
- Canada
- Japan

Key statistics

8.30

Employees would recommend working at IQGeo – 8.30/10

8.38

Employees feel IQGeo's strategy and objectives are clear – 8.38/10

8.96

Employees feel IQGeo has a strong teamwork ethos – 8.96/10

8.84

Employees feel IQGeo operates with integrity – 8.84/10

8.30

Employees feel IQGeo is focused on innovation – 8.30/10

People profiles

Derek Kern
Director of Research

Denver, Colorado, USA

Started working with the business in 2002.

Derek is an expert in system architecture, software engineering, high performance computing, Artificial Intelligence and has a passion for assimilating and understanding new technology. As Director of Research, Derek discovers, experiments with, and evaluates next generation technologies for possible integration into IQGeo products. His goal is to solve difficult problems for our customers using the latest technology.

What excites you most about IQGeo?
Our persistent desire to solve the next issue that our customers will experience. At IQGeo everyone is motivated, knowledgeable and friendly, making it a fantastic place to work.

What's your favourite thing to do outside work?
Reading, snowboarding, hiking and travel are all passions of mine.

- Community engagement through our corporate social responsibility activities (see below) has greatly improved a sense of collaboration, with Teamwork being ranked as the most important value in our staff survey

IQGeo employees are highly engaged and proud of the work being accomplished. The annual survey shows that managers are getting even better at communicating, and most staff would recommend IQGeo to their friends and colleagues as a great place to work. Top values identified by the staff in addition to Teamwork include Integrity, Staff Development and Customer Focus. With these ideals resonating with our people, we will see even more success as we move into 2020.

Corporate social responsibility

One of our key tenets as an Employer of Choice is to demonstrate corporate social responsibility. By demonstrating how the Company contributes to society at large, we will further attract and retain high quality talent that makes us successful. Our products and services help customers keep millions of households safe and provide them with safer, greener and more affordable mobile, broadband, gas, water and electricity services. Knowing that our products are also helping communities that have been hit by disasters to rebuild and get back on their feet is important and rewarding for everyone at IQGeo. Our work is benefiting both the business and the communities in which we live.

We continue to offer each employee the opportunity to participate in their local community by taking one day a year of paid leave to assist with a charity of their choice. This effort is helping to create stronger employee engagement as shown in our Annual Employee Survey. In 2020 we're adding charitable giving schemes in the UK and the US that give employees the opportunity to make donations from their pre-tax pay to local or international charities of their choice.

Tasneem Jodhpurwala
Solution architect

Cambridge, UK

Started working with the business in 2013.

Tasneem's expertise lies in front-end software development, programming in JavaScript, HTML, CSS and Python. She is an expert at creating intuitive and simple-to-use user interfaces.

What excites you most about IQGeo?
It's great to work in a dynamic team. We are always coming up with new ideas. What's exciting about working on our product is that the work I do today is going to be used in the field in only a few months' time. IQGeo is changing the way people work; improving their day-to-day lives by making them quicker and more efficient. One of the joys of working in a small company is that you get visibility and accolades for the work you do very quickly.

What's your favourite thing to do outside work?
Travelling the world and looking after my house plants.

Yukari Goto
Sales manager

Tokyo, Japan

Started working with the business in 2002.

Yukari's expertise lies in providing GIS consultancy services to telecoms and utility network providers. She has more than ten years' experience working with geospatial solutions.

What excites you most about IQGeo?
It is great to be part of the global IQGeo team. On a local level we are really starting to make a big impact on Japanese infrastructure companies and that is very exciting for us.

What's your favourite thing to do outside work?
Hot yoga and enjoying delicious sake and fish from all over Japan.

Michael Schoenstein
Director for Utility Solutions – EU

Frankfurt, Germany

Started working with the business in 2019.

Michael has more than 25 years of experience in the geospatial business, working with utilities and infrastructure management software solutions. His expertise lies in business development, professional services and account management. As Director for Utility Solutions in Europe, he is responsible for the growth of IQGeo's business in this industry.

What excites you most about IQGeo?
The knowledge and enthusiasm of IQGeo's great team that has the skills, commitment and creativity to solve our customers' business issues. It's great to be part of an international team, working closely across cultures to share practices and experiences and help deliver innovative, powerful solutions worldwide.

What's your favourite thing to do outside work?
I love race cycling, mountain biking and wind surfing. I live in the south of Germany, so love to spend time in the Alps.

Section 172 statement

As required by Section 172 of the UK's Companies Act, a director of a company must act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders.

In doing this, the director must have regard, amongst other matters, to the following issues

- Likely consequences of any decisions in the long term
- Interests of the company's employees
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's operations on the community and environment
- The company's reputation for high standards of business conduct
- Need to act fairly between members of the company

Engagement with stakeholders and consideration of their respective interests in the Company's decision-making process took place during the year as described below.

Shareholders

During the year, and alongside the updated website, a regular email update was sent to interested investors and prospective investors to provide insights on the Company's progress and achievements.

The primary mechanism for engaging with shareholders in more depth is via the annual cycle of investor meetings associated with financial results for the half year and the full year, and the AGM. In addition, in 2019, Paul Taylor, the newly confirmed permanent Chair, together with another Non-Executive Director, consulted with larger investors on some of the details of the proposed capital return and Company strategy, both informally and via the General Meeting.

Investors showed their support of the Board and the Company's strategy with all votes cast in favour of the resolutions at the General Meeting and the Annual General Meeting, apart from one resolution at the AGM. For the first time, at the 2019 AGM, all Directors were put up for re-election, which is a practice that the Company plans to continue. One shareholder voted against the re-appointment of Oliver Scott in line with the advice from an institutional governance report as Remuneration Committees should be formed of independent Non-Executive Directors. The Company recognised and fully disclosed this matter in its 2018 Annual Report noting that, whilst Oliver Scott was not independent given his position at Kestrel, his perspective representing shareholders together with his broad business experience with smaller listed companies, and the reality of the size and skills of IQGeo's Board meant that the Board felt that it was appropriate that he was the Chair of the Remuneration Committee.

Other than the capital return project, the main topics of discussion with shareholders were focused on the strategic shift to a subscription revenue model, the outlook on cash flow and the desire, in due course when management was comfortable, for market forecasts to be issued.

Customers

Following the separation from the RTLS business, the Company engaged on a detailed review of use cases with its customers, identifying opportunities for product development and clarifying the competitive advantage that IQGeo has in its chosen target vertical markets.

In October, the Company held its annual 'IQGeo Meet-up' in Denver to which many of its customers and prospects attended to share their experiences and successes, as well as learn about future product development plans. In addition, the Chair attended the IQGeo Meet-up, engaging directly with the customers and partners there, whilst the rest of the Board reviewed the video use cases captured at the event.

The Board gained insights on customers, other than via the Executive Directors, through Board meeting sessions through the year dedicated to North America from the GM Jay Cadman and then at a separate meeting focused on Europe and Japan from the GM Christian Wirth.

Employees

We have an experienced, diverse and dedicated workforce which we recognise as a key asset of our business. Therefore, it is important that we continue to create the right environment to encourage and create opportunities for individuals and teams to realise their full potential.

The Board and management team pay close attention to the results of the employee survey carried out annually in the fourth quarter, taking note of trends and developments and creating action plans to address any issues arising.

2019 was such a key transition year for employees in terms of the shape and strategy of the business, that many of the Cambridge-based employees from the finance and IT teams came to the IQGeo Meet-up to improve their understanding of our business and engage with customers directly.

In 2019, the Denver-based staff were consulted on the options available for, and design of, new office space as the existing lease will end on 30 April 2020.

Community and the environment

Being a software company, the Company tries to minimise its impact on the environment through a number of measures, including the following

- Providing products to customers to improve the safety of their operations (particularly to reduce the risk of gas explosions), and restore service after storm damage (specifically in 2019, following Typhoons Faxai and Hagibis in Japan)
- Supporting its customers in improving their collaboration and productivity, thereby reducing travel and waste
- Providing public transport season tickets to Denver-based staff

Board of Directors

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

Key

A Audit Committee

R Remuneration Committee

N Nomination Committee

* Chair of Committee

I Independent

Paul Taylor

A* R N

Chair

Experience

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

Other appointments

Paul now serves as a non-executive director of Thruvision Group plc and Trustee of CADCentre Pension Fund.

Richard Petti

Chief Executive Officer

Experience

Richard Petti brings 25 years of experience in developing market leading businesses for automotive, financial and industrial customers. He was previously CEO of Asset Control, a supplier of data management systems to leading financial institutions, and COO at WEMA, a leading provider of sensors to commercial vehicle manufacturers. Richard joined the IQGeo (then Ubisense) Board on 14 December 2016.

Other appointments

None.

Tim Gingell

Chief Financial Officer

Experience

Tim has over 25 years of commercial and financial experience across software, wireless and telecoms industries. At IQGeo, Tim has rebuilt the balance sheet through disposals, organisation restructuring, re-negotiating debt finance and closing two fund raising rounds on London's AIM stock market and positioned the business for software-led growth. He has been a member of the IQGeo (then Ubisense) Board since 9 August 2016. Tim held leadership positions at i2/IBM, The Cloud Networks and MFS/WorldCom.

Other appointments

None.

Dr. Robert Sansom

N*

Non-Executive Director

Experience

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

Other appointments

Robert is a non-executive director to enterprises including Arachnys Information Services Ltd, Myrtle Software Ltd, Featurespace Ltd, Camfed International, Cambridge Communication Systems Ltd, CRFS Ltd and Netronome Inc.

Ian Kershaw

A R I

Non-Executive Director

Experience

Ian has over 30 years' strategy, engineering and operations experience in the telecoms, utilities and manufacturing industries. He was appointed as a Non-Executive Director to the IQGeo (then Ubisense) Board on 23 May 2014. Previously, Ian was executive chairman of Coryton Advanced Fuels, the transport fuels specialists, and a director of Ricardo UK Ltd., the engineering consultants.

Other appointments

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

Max Royde

R*

Non-Executive Director

Experience

Max co-founded Kestrel in 2009. He joined the IQGeo Board on 31 October 2019. Max has been advising and investing in quoted and unquoted UK smaller companies since 1998 and prior to Kestrel was a managing director of KBC Peel Hunt.

Other appointments

Max is also a fund manager of Kestrel Opportunities, sits on the Investment Committee for KITS and is a non-executive Director of Ingenta PLC.

Andy MacLeod

I

Non-Executive Director

Experience

Andy is a professional non-executive director and industry consultant after recently retiring from Vodafone Group as Regional Technology Director for the Africa, Middle East and Asia-Pacific Region. Prior to that he was Vodafone's Group Chief Networks Officer and CTO of Verizon Wireless in the US. Since the early 1990s he has held CEO, COO and CTO positions at major telecommunications companies and has gained extensive public and private experience as a Director on the Boards of companies such as Eircom, Indus Towers, Vodafone Italy and Vodafone Australia. Andy was appointed to the IQGeo Board on 21 June 2019. Andy holds an MA degree in Materials Science from Keble College, Oxford and an MBA from Warwick Business School, and was elected as a Fellow of the Royal Academy of Engineering in 2014.

Other appointments

Andy is currently a non-executive director of Gfinity PLC.

Corporate governance report

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

Principle 1:

Establish a strategy and business model which promotes long-term value for shareholders

IQGeo has defined the telecoms and utility industries as its target vertical markets. The business strategy is to develop and sell its highly innovative geospatial productivity and collaboration software to these industries, transforming the customers' ability to plan, design, install and service networks including 5G, fibre, coaxial, electricity, gas and water.

The Group is focused on a three-point strategy to achieve the goal of building a fast-growing and cash generative business.

Regional growth

- Increase the number of new logos or customers signed in our key markets
- Build commercial partnerships to address specific markets or use-cases
- Increase the Annual Contracted Value received from each existing customer for IQGeo's products whilst managing down the legacy third party service business

Transition to subscription

- Increase the number of new customers establishing subscription contracts
- Create subscription-only product offerings to maximise annual recurring revenue
- Build and retain a significant recurring Annual Contracted Value (ACV) order base enabling the business to generate positive cash flow

Product innovation

- Develop customer-driven product roadmaps solving enterprise-level business challenges
- Further develop the modular software platform addressing known customer issues
- Clearly establish with customers the short-term and long-term benefits that IQGeo products will deliver

Principle 2:

Seek to understand and meet shareholder expectations

The Company maintains a dedicated contact form which is prominently displayed on its website together with the Company's address and phone number for investors to use.

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

Principle 3:

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

In addition to members, the Company believes its main stakeholder groups are its employees and customers.

The Company devotes significant time to understanding and acting on the needs and requirements of these two groups through dedicated meetings and activities designed to obtain feedback directly from the stakeholders.

With regard to corporate social responsibility (CSR), IQGeo is engaged in a range of CSR programmes through corporate activities sponsored by its regional offices. The Company encourages employees to participate in local activities by giving each employee an annual charity day to volunteer for an organisation of their choice. In 2020 IQGeo is also rolling out a charitable giving initiative that allows employees to financially support local and international charities through direct payroll contributions.

IQGeo believes that participation in CSR activities is a fundamental responsibility of the Company. It encourages the personal development of employees and greater community integration, which helps contribute to the long-term success of the Company by creating a more experienced, passionate and productive workforce.

Principle 4:

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

Risk management on pages 28 to 31 of our 2019 Annual Report details risks to the business, how these are mitigated and the change in identified risks over the last reporting period.

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

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

Internal control

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

- Budgetary control over all operations, measuring performance against pre-determined targets on at least a monthly basis
- Regular forecasting and reviews covering trading performance, assets, liabilities, headcount and cash flows
- Authority covering key financial commitments including, but not necessarily limited to, capital expenditure, office lease commitments and recruitment
- Identification and management of key business risks

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

Principle 5:

Maintain the Board as a well-functioning, balanced team led by the Chair

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

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

Executive Directors work full time in the business and have no other significant outside business commitments.

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

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

The Board holds full meetings at least ten times per year, with attendance required in person whenever possible.

The principal matters that it considers are as follows

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

16 Board meetings were held in 2019.

Attendance at the meetings was as follows:

Total meetings attended	
Peter Harverson	0 (2)
Paul Taylor	15 (16)
Richard Petti	16 (16)
Tim Gingell	16 (16)
Robert Sansom	13 (16)
Ian Kershaw	13 (16)
Oliver Scott	11 (13)
Andy MacLeod	5 (8)
Max Royde	3 (3)

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

Corporate governance report continued

Principle 6:

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

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

The Board is satisfied that, between the Directors, it has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term.

The roles of the Chair and CEO are split in accordance with best practice. The Chair has responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. The CEO leads the business and the executive team ensuring that strategic and commercial objectives are met. He is accountable to the Board for the operational and financial performance of the business.

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

The Nomination Committee also considers succession planning.

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

Principle 7:

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

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

The Chair routinely reviews the management and performance of the Board Committees and will address any performance concerns directly with the Chair of, and/or participants of, that Committee.

Principle 8:

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

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

The ethical standards at IQGeo are a key factor in the evaluation of individual performance and that of the entire Company.

Principle 9:

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

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

The key Board roles are as follows

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

The Board has three sub-committees as follows

- Audit Committee: See Audit Committee report for further details
- Remuneration Committee: See Remuneration Committee report for further details
- Nomination Committee: The Nomination Committee will consider the selection and re-appointment of Board members

The Nomination Committee has responsibility for the following matters

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

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

Total meetings attended	
Robert Sansom (Chair)	4 (4)
Paul Taylor	4 (4)

Principle 10:

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

The Company views shareholders, customers, employees and the wider community as the key stakeholders.

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

The Company keenly engages with customers on their use of the products and their desire for future potential development. The Company consults with customers on opportunities for exploiting, or expanding, features and functions of their existing deployment to gain the benefits of further productivity and collaboration.

Each year the Company holds a two-day customer conference called the IQGeo Meet-up. During this interactive event, customers share their challenges and experiences with IQGeo products and engage in workshops and networking activities that promote collaboration with IQGeo and between customers. This provides an opportunity for the IQGeo team to learn directly from our customers and integrate their input into our product development roadmap and service offering.

The Company engages with employees on a regular basis through all-hands meetings, performance reviews and employee surveys. There is a well-established internal communication process that provides employees with the latest product development, sales, IT and HR information, and essential corporate resources are made available to all employees on an internal IQGeo portal.

The Board invites senior management to attend specific Board meetings to discuss in detail aspects of performance and to gain greater insight on operations. Members of the Board visit the Denver and Cambridge offices from time to time on an informal basis to talk to staff and join Company events where appropriate and possible.

Audit Committee report

The Committee continues to be satisfied that a robust and effective control environment exists.

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

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

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

As part of its procedures, the Committee discusses the interim and annual financial statements with the external auditor. When appropriate, non-Committee members are invited to attend.

A summary of Committee composition and attendance is as follows:

	Audit Committee
Paul Taylor (Chair)	5 (5)
Ian Kershaw	5 (5)

In accordance with its terms of reference, the Audit Committee has responsibility for the following matters

- Financial reporting
  - Monitor the integrity of the financial statements of the Group, reviewing any significant reporting issues and judgements they contain
  - Advise on the clarity of disclosure and information contained in the Annual Report and Accounts
  - Ensure compliance with applicable accounting standards and review the consistency of methodology applied
- External audit
  - Recommending appointment, re-appointment or removal of the external auditors
  - Oversee the relationship with the external auditor, reviewing performance and advising the Board members on their appointment and remuneration
- Whistleblowing
  - Review of the Group's whistleblowing policies and procedures
- Internal control
  - Review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management; together with monitoring management's responsiveness to their findings

Activities of the Committee during the year

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

- Presentation of the RTLS SmartSpace business unit disposal within the 2018 Annual Report
- The Group's revenue recognition policies in respect of contracts sold under the subscription model
- The resolution of significant accounting judgements or of matters raised by the external auditor during the course of their half-year review and annual statutory audit. These key matters are stated within the external auditor's report included within this Annual Report
- The external auditor's report on any deficiencies in the internal controls of the Group identified during the statutory audit. IQGeo Group plc does not have an internal audit function and believes that given the size of the business, this remains appropriate
- Assessment of the independence of the external auditor. As part of this review, the Committee monitors the provision of non-audit services by the external auditor. An analysis of non-audit services is disclosed in note 9 to the financial statements. The non-audit services charged by Grant Thornton in 2019 relate to the review of half-year results, the provision of tax advisory services, and review of the interim accounts required for the capital reduction of the Company. The Audit Committee was satisfied that safeguards are adequately observed to ensure no issues arise impacting upon the auditor's independence

The Audit Committee has satisfied itself that the key areas discussed above have been addressed appropriately within the Annual Report and that the Group continues to work and communicate well together.

Remuneration Committee report

The Committee focus on ensuring that Executive remuneration packages reflect the achievement of the Group's strategy and sustained shareholder growth.

The Remuneration Committee has responsibility for the following matters

- Agreeing the framework for the Group's remuneration policy for Directors and key management personnel, including determining individual remuneration policies for Executive Directors
- Approving the design and targets for short and long-term incentive plans
- Determining the policy and scope of pension arrangements
- Ensuring contractual terms and payments made on termination are fair to both the individual and the Group
- Agreeing the policy for authorising expense claims by the Chair and Chief Executive

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

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

The Remuneration Committee comprises of Max Royde, Paul Taylor and Ian Kershaw, who are Non-Executive Directors of the Company. Max Royde replaced Oliver Scott as Remuneration Committee Chair on 31 October 2019.

A summary of Committee composition and attendance is as follows:

	Remuneration Committee
Paul Taylor	3 (3)
Ian Kershaw	3 (3)
Oliver Scott	3 (3)
Max Royde (Chair)	0 (0)

Remuneration practice overview

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

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

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

Remuneration of Executive Directors

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

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

Base salary

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

Benefits

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

Bonuses

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

Pensions

The Group operates a defined contribution personal pension scheme in the UK, and similar schemes in other countries. Under the UK scheme rules the Group pays a matched contribution of up to 5% of base salary as adjusted for current pension and tax legislation. The scheme is open to Executive Directors and employees.

Remuneration of Non-Executive Directors

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

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

Remuneration Committee report continued

Directors' remuneration

The Directors received the following remuneration during the year:

Director	Basic salary £'000	Benefits in kind £'000	Performance payments £'000	Termination benefits £'000	2019 total excluding pensions £'000	Pensions £'000	**Total 2019 £'000**	Total 2018 £'000
Richard Petti[1]	225	4	85	—	314	16	**330**	406
Tim Gingell[2]	149	4	51	—	204	12	**216**	253
Executive Directors	374	8	136	—	518	28	**546**	659
Paul Taylor[3]	79	—	—	—	79	—	**79**	46
Peter Harverson[4]	27	—	—	19	46	—	**46**	78
Robert Sansom[5]	—	—	—	—	—	—	**—**	—
Ian Kershaw	20	—	—	—	20	—	**20**	21
Oliver Scott[6]	17	—	—	—	17	—	**17**	20
Andy MacLeod[7]	13	—	—	—	13	—	**13**	—
Max Royde[6]	3	—	—	—	3	—	**3**	—
Non-Executive Directors	159	—	—	19	178	—	**178**	165
Total	533	8	136	19	696	28	**724**	824

1. Richard Petti is entitled to a performance related bonus of up to £125,000, and receives a car allowance of £9,000.
2. Tim Gingell is entitled to a performance related bonus of up to £75,000.
3. Paul Taylor was confirmed as Chair of the Company on 19 February 2019. The annual remuneration of the appointment is £75,000 with an additional £5,000 per annum whilst chair of the Audit Committee.
4. Peter Harverson resigned, and left, as Chair of the Company on 13 February 2019. A final settlement of £18,750 was paid on his departure from the Company
5. Robert Sansom has waived his entitlement to annual remuneration of £25,000 (2018: £25,000 waived).
6. Max Royde was appointed, and Oliver Scott resigned, as Non-Executive Director of the Company on 31 October 2019. The annual remuneration of the appointment is £20,000.
7. Andy MacLeod was appointed Non-Executive Director of the Company on 21 June 2019. The annual remuneration of the appointment is £25,000.

Share options

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

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

On 14 December 2016 IQGeo Group plc implemented a long-term incentive share option plan for Executive Directors and key management. As participants in the new share scheme, IQGeo Group plc granted 3,150,000 options of two pence each in the Company to the Executive Directors at that time with an exercise price set at the nominal value. The options would vest if the Company's share price exceeds 70 pence for 60 consecutive days between the 2nd and 3rd anniversary of issue and the period of employment continues for over three years – this performance condition was not achieved before the 3rd anniversary.

The Remuneration Committee is in advanced stages of planning to make awards under a new share option scheme, the details of which will be confirmed in due course including the cessation of the existing nominal value options. As of the date of this report however, the existing share option scheme remains in place with the Remuneration Committee retaining the right to extend the scheme into the 4th year and vest the outstanding share options in exceptional circumstances in the event of a corporate transaction.

Director	Award date Year	Vests Years	Expires Year	Exercise price £	Awards outstanding at 1 January 2019 Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	**Awards outstanding at 31 December 2019 Number**	**Awards exercisable at 31 December 2019 Number**
Peter Harverson	2010	2011–13	2020	0.14	91,333	—	91,333	—	**—**	**—**
	2016	2019	2026	0.02	850,000	—	—	850,000	**—**	**—**
					941,333	—	91,333	850,000	**—**	**—**
Richard Petti	2016	2019	2026	0.02	1,600,000	—	—	—	**1,600,000**	**—**
Tim Gingell	2016	2019	2026	0.02	700,000	—	—	—	**700,000**	**—**
Total					3,241,333	—	—	—	**2,300,000**	**—**

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

Directors' report

The Directors present their Annual Report on the affairs of the Group together with the audited financial statements for the year to 31 December 2019. The corporate governance report set out on pages 38 to 41 forms part of this report.

Incorporation and constitution

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

Based on the country generating the greatest revenue, the main country of operation is the United States of America.

Principal activity

The Group delivers end-to-end geospatial software which improves productivity and collaboration across enterprise planning, design, construction and maintenance processes for telecoms and utility network operators. Our mobile-first enterprise solutions create and maintain an accurate view of complex network assets that is easily accessible by anyone, wherever and whenever needed.

Specialised applications combined with our open IQGeo Platform help network operators create a single source of network truth to meet their digital transformation ambitions and operational KPIs. Our award-winning solutions save time and money, and improve safety and productivity, while enhancing customer satisfaction.

Business review and key performance indicators

The Group's results are set out in the consolidated income statement on page 54 and are explained in the Chief Financial Officer's statement on pages 24 to 27. A detailed review of the business, its results and future direction is included in the Non-Executive Chair's statement on pages 4 and 5.

Capital structure

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

Details of the share capital of the Company, including shares issued during the year, can be found in note 20 of the consolidated financial statements.

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

Details of employee share schemes are set out in note 21.

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

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

At the Company Annual General Meeting on 5 June 2019, the Directors obtained shareholder approval to complete a capital reduction with the Company's share premium account being reduced by £28,948,000. On 16 July 2019 a Court Order was granted to allow a capital reduction.

On 2 August 2019, the Company announced a proposed tender offer to repurchase up to a maximum of 28,260,869 of the Company's ordinary shares at a price of 46 pence per ordinary share. Following approval of the tender offer by a General Meeting of shareholders on 22 August 2019, the tender offer completed on 30 August 2019, resulting in the share capital reducing by 23,803,690 and £10,949,697 of surplus funds being returned to shareholders in September 2019.

As at 31 December 2019, the Company had 49,503,429 ordinary shares in issue.

Substantial shareholdings

As at 6 March 2020, the Company had been notified of the following significant interests in its ordinary share capital:

	Total holding Number	% of issued share capital
Kestrel Partners	12,283,268	24.8%
Columbia Threadneedle Investments	8,632,954	17.4%
Canaccord Genuity Group Inc	6,241,919	12.6%
Robert Sansom	3,831,714	7.7%
NFU Mutual Insurance Society Ltd	2,658,457	5.4%
Janus Henderson Investors	1,586,250	3.2%
Merian Global Investors	1,515,637	3.1%

Directors' report continued

Directors

The Directors serving at 31 December 2019 were as follows:

Paul Taylor
Riccardo (Richard) Petti
Timothy (Tim) Gingell
Robert Sansom
Max Royde
Ian Kershaw
Andrew MacLeod

Board changes

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

Andy MacLeod was appointed as Non-Executive Director of the Company on 21 June 2019.

Max Royde was appointed, and Oliver Scott resigned, as Non-Executive Director of the Company on 31 October 2019.

Tim Gingell has advised that he wishes to step down from the Board at the upcoming AGM. Tim will however stay with the business, including remaining as Company Secretary, for a period beyond the AGM to help with an orderly and structured handover.

Directors' interests – shares

Directors' interests in the ordinary shares of IQGeo Group plc at 31 December 2019 were as follows:

	2019 Number	2018 Number
Paul Taylor	**191,459**	191,459
Richard Petti	**133,661**	78,125
Tim Gingell	**86,875**	86,875
Robert Sansom	**3,831,714**	6,235,899
Ian Kershaw	**2,000**	2,000
Total	**4,245,709**	6,594,358

Max Royde has no direct interest in the ordinary shares of IQGeo Group plc but is a partner with the significant shareholder Kestrel Partners. Kestrel Partners LLP fully participated in the August 2019 tender offer and sold 7,323,246 shares at a price of 46 pence per ordinary share.

Robert Sansom, a Director of IQGeo, fully participated in the August 2019 tender offer and sold 2,404,185 shares at a price of 46 pence per ordinary share.

There has been no change in the Directors' interests set out above between 31 December 2019 and 6 March 2020 other than Ian Kershaw acquiring 17,000 shares at a price of 61.9 pence on 3 February 2020.

Directors' interests

Details of Directors' remuneration and share options are provided in the Remuneration Committee report on pages 43 and 44. There are no loans to or from the Directors.

Directors' indemnity arrangements

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

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

Financial instruments

Principal financial risks and mitigating activities have been set out within the strategic report. Additionally, note 24 to the financial statements provides further details in respect of credit risk, market risk and liquidity risk.

Research and development

During the year, the Group has been active in the development of software. In the opinion of the Directors, continuity of the investment in software development is essential for the long-term growth of the business. The Board regularly reviews the IQGeo product roadmap to ensure its competitiveness.

Going concern review

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

Post-balance sheet events

There are no post balance sheet events to report.

Dividends

The Directors do not recommend payment of a dividend for the year (2018: £nil).

Auditor

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

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

Tim Gingell
Chief Financial Officer and Company Secretary
6 March 2020

IQGeo Group plc

Registered number: 05589712

Directors' responsibilities statement

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

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

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

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

The Directors confirm that

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

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

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of IQGEO Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Consolidated statement of cash flows, the Company balance sheet, the Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

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

Conclusions relating to going concern

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

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

In our evaluation of the directors' conclusions, we considered the risks associated with the group's business model, including effects arising from Brexit, and analysed how those risks might affect the group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

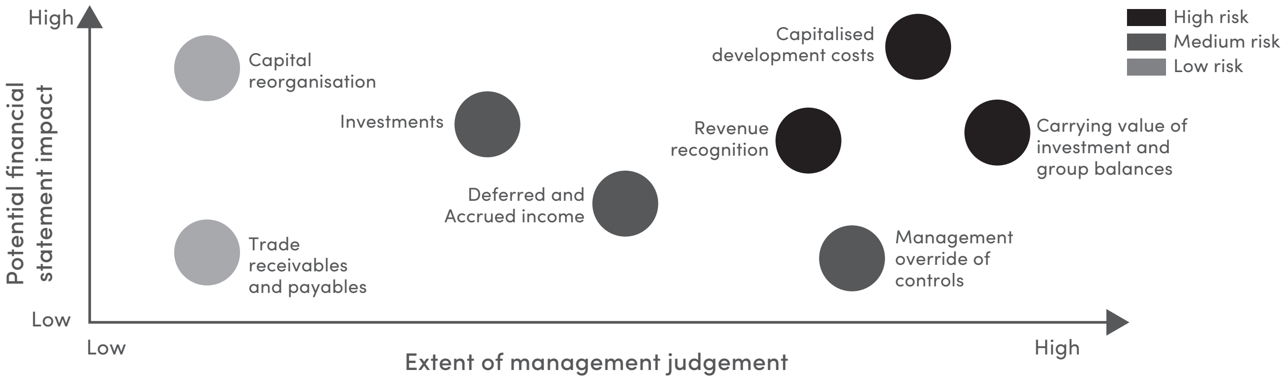
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Overview of our audit approach

- Overall materiality: £231,000, which represents 3.7% of the Group's earnings before taxation
- We performed full scope procedures at IQGeo Group plc, IQGeo UK Limited and IQGeo America Inc., targeted procedures on IQGeo Solutions Canada Inc, and analytical procedures were performed for all other components
- Key audit matters were identified as:
  - improper recognition of revenue due to fraud;
  - capitalisation of intangible development costs may not be appropriate; and
  - carrying value of capitalised development costs may not be appropriate
  - carrying value of investments in subsidiaries and amounts due from subsidiary undertakings.

Key audit matters

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



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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 1 – Improper recognition of revenue due to fraud Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The group has recognised revenues of £7.8m (2018: £10m) for continuing operations. The nature of the Group's revenue includes sales of software licences, maintenance and support, labour and installation services. IQGeo Group plc has been transitioning to a recurring software subscription revenue model to increase its recurring revenue streams. Subscription contracts are structured as a term software licence sold together with maintenance and support. Revenue recognition is dependent upon identifying the relevant distinct performance obligations, ensuring the revenue allocated to the performance obligation is based on standalone pricing and appropriate allocation of discount to ensure the correct revenue is recognised. The Group's revenue is material to the financial statements and comprises multiple distinct performance obligations which adds complexity to how revenue is recognised. We therefore identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing revenue recognition policies for consistency and compliance with IFRS 15 'Revenue from Contracts with Customers'; • understanding the basis for pricing and considering performance obligations to assess whether revenue is being recognised in accordance with IFRS 15; • for software revenue, agreeing a sample of revenue to either customer confirmation of receipt of access to new licences, or purchase orders for renewed licences; • for maintenance and support revenue, – obtaining a sample of purchase orders, recalculating revenue recognised and checking the appropriateness of any deferred income at the year-end; • for labour and installation services revenue, agreeing a sample of revenue to signed contracts or purchase orders and tracing a sample of time booked to revenue to timesheets, subcontractor invoices or other supporting documentation; • for a sample of deferred and accrued income balances, recalculating revenue recognised and checking to invoices and other supporting documentation; • recalculating the allocation of discounts for a sample of revenue; • performing analytical procedures, disaggregated by revenue stream, location and month, by identifying key movements and significant transactions which have occurred in the year and then obtaining explanations and corroborating evidence for key movements and significant transactions identified. The Group's accounting policy on revenue recognition is disclosed in note 3 to the financial statements and related disclosures are included in notes 4 and 5. **Key observations** Our audit work did not identify any material misstatements in the occurrence of revenue recognised during the year or any instances of revenue not being recognised in accordance with stated accounting policies.

Independent auditor's report continued

to the members of IQGeo Group plc

Key audit matters continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 2 – Capitalisation of intangible development costs may not be appropriate Under IAS 38 'Intangible Assets', development costs should only be capitalised if the recognition criteria are met, including determining whether the project provides a future economic benefit to the group. During the year, the group capitalised £1.1m (2018: £1.7m) of development costs in relation to various projects. In capitalising these costs, management makes judgments and assumptions when assessing each project according to IAS 38 'Intangible Assets' criteria. Judgement is required to determine whether the criteria is met, in particular, in respect of the future economic benefit that will be generated and the intention of the group to complete development. There have been four new projects capitalised in the year. The level of judgement involved leads to a risk that development costs may be capitalised inappropriately. We therefore identified the capitalisation of development costs as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing product development activities alongside the qualifying nature of the projects, including obtaining an understanding from management of the details of projects capitalised and challenging whether they relate to additional functionality, enhancements or new product development, to ensure that capitalisation is in accordance with the recognition criteria under IAS 38; • we have assessed managements' intention to complete new projects and the availability of resources and corroborated this to future revenue and cost forecasts; • recalculating the mathematical accuracy of capitalised amounts; • agreeing amounts capitalised to supporting evidence including timesheets. The Group's accounting policy on intangible assets is shown in note 3 to the financial statements and related disclosures are included in note 12. Key observations Our testing did not identify any material misstatements in the capitalisation of intangible development costs.
Risk 3 – Carrying value of capitalised development costs may not be appropriate There is a risk, given fast-moving technology, that developed products could become obsolete and will not be supported by future cash flows and hence development assets may become impaired. The net book value of capitalised development costs at the year-end amounted to £1.5m (2018: £1.2m), including amortisation charged on capitalised development costs of £0.8m (2018: £1.8m). Capitalised development costs are amortised by the Group to ensure the capitalised cost reflects the anticipated benefit of the development project to the Group over time. In accordance with IAS 36 'Impairment of Assets' the Group is required to assess at the end of each reporting period whether there are any indications that assets may be impaired. In order to assess whether there are any such indicators of impairment management have identified the contracted and renewal revenues associated with each identifiable capitalised project over a three-year forecast period. There is an inherent uncertainty involved in forecasting and discounting future cash flows. We therefore identified the carrying value of capitalised development costs as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing the amortisation policy applied to capitalised development costs for consistency with the approach applied in the prior year and challenging the determination of the useful economic life; • comparing projects against which amounts are capitalised to forecast revenue calculations produced by management, based on contractual and expected renewal income; • assessing forecast income by agreeing amounts to subscription agreements or maintenance and support renewal terms; • challenging managements assumptions regarding future revenue generation; • evaluating and challenging information included in the impairment models to ensure it is consistent with our knowledge of the business obtained through reviewing trading plans and discussions with Management. The Group's accounting policy on intangible assets is disclosed in note 3 to the financial statements and related disclosures are included in notes 4 and 12. Key observations Our testing did not identify any material misstatements in the carrying value of the capitalised development costs.

Key audit matter – parent	How the matter was addressed in the audit – parent
Risk 1 – Carrying value of investments in subsidiaries and amounts due from subsidiary undertakings IQGeo Group plc has investments of £0.4m in subsidiaries and £19.0m due from subsidiary undertakings. The net assets of the parent entity exceed those of the group. There is a risk that amounts due from subsidiary undertakings may not be recoverable. We therefore identified the carrying value of investments in subsidiaries and amounts due from subsidiary undertakings as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • obtaining an understanding of how management consider the balances will be recovered by examining future cash flow projections and challenging their assumptions; • evaluating and challenging information included in the impairment models to ensure it is consistent with our knowledge of the business obtained through reviewing trading plans and discussions with management; • comparing the group's net assets and market capitalisation to the parent company's net assets and then challenging management's assessment on the quantum of impairment required against amounts due from subsidiary undertakings. The Group's accounting policy on investments and group balances is disclosed in note 1 to the company financial statements and related disclosures are included in notes 3 and 4. Key observations Our testing did not identify any material misstatements in the carrying value of investments in subsidiaries and amounts due from subsidiary undertakings.

Our application of materiality

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

Materiality was determined as follows:

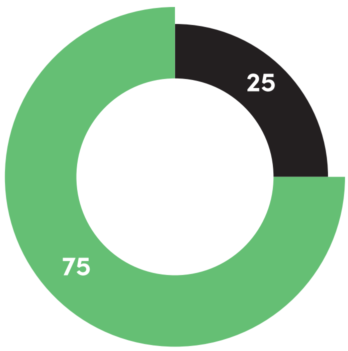
Materiality measure	Group	Parent
Financial statements as a whole	£231,000 which is 3.7% of the group's earnings before tax. This benchmark is considered the most appropriate because the Group is a commercially focused organisation but generating an operating loss. Materiality in the prior year was determined by using revenues as a benchmark. Earnings before tax has been used as a benchmark for the current year because this is now considered to be the principal measurement used by stakeholders to assess the group's financial performance. This has resulted in materiality for the current year being lower than the level we determined for the year ended 31 December 2018.	£173,000 which is 0.5% of expected total assets restricted to group performance materiality. This benchmark is considered the most appropriate because the parent company does not generate revenues or profits and holds investments in subsidiaries. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 using the same basis. This is due to the capital reorganisation and return of funds to shareholders.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for directors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.	We determined a lower level of specific materiality for directors' remuneration and related party transactions of £1,000 due to the inherent sensitivity of these transactions and related disclosures.
Communication of misstatements to the audit committee	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£10,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

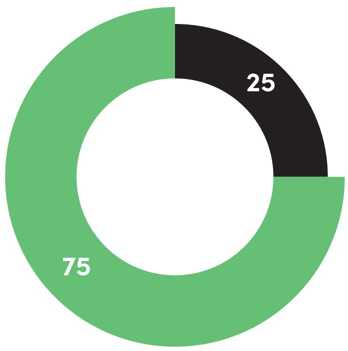
Our application of materiality continued

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

Overall materiality – Group



Overall materiality – Parent



Key

Tolerance for potential uncorrected mis-statements

Performance materiality

An overview of the scope of our audit

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

- IQGeo Group plc has centralised processes and controls over the key areas of audit focus. Group management are responsible for all judgemental processes and significant risk areas. In assessing the risk of material misstatement to the group financial statements we assessed the significance of each component and determined the planned audit response based on a measure of materiality. Significance was determined with regard to the group's total assets, revenues and earnings before taxation;
- full scope audit procedures were performed on IQGeo Group plc, IQGeo UK Limited and IQGeo America Inc.; targeted procedures were performed on IQGeo Solutions Canada Inc, and analytical procedures were performed for all other components including IQGeo Germany GbmH and IQGeo Japan K.K.;
- the total percentage coverage of full-scope and targeted procedures over the Group's revenue was 100%;
- the total percentage coverage of full scope and targeted procedures over the Group's total assets was 92%; and
- our audit approach in the current year is consistent with the audit approach adopted for the year ended 31 December 2018 being substantive in nature.

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement page 47, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
6 March 2020

Consolidated income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	5	**7,806**	9,979
Cost of revenues		**(4,563)**	(5,599)
Gross profit		**3,243**	4,380
Operating expenses		**(9,539)**	(5,971)
Operating loss		**(6,296)**	(1,591)
Analysed as:			
Gross profit		**3,243**	4,380
Other operating expenses		**(8,091)**	(5,446)
Adjusted EBITDA		**(4,848)**	(1,066)
Depreciation	13, 14	**(285)**	(273)
Amortisation and impairment of other intangible assets	12	**(815)**	(774)
Share option expense		**(102)**	(248)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**(110)**	151
Non-recurring items	9	**(136)**	619
Operating loss		**(6,296)**	(1,591)
Finance income	8	**72**	1
Finance costs	8	**(10)**	(14)
Loss before tax		**(6,234)**	(1,604)
Income tax	10	**64**	(39)
Loss from continuing operations		**(6,170)**	(1,643)
Profit from discontinued operations	6	**403**	21,485
(Loss)/profit for the year		**(5,767)**	19,842
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(5,767)**	19,842
Non-controlling interest		**—**	—
(Loss)/profit for the year		**(5,767)**	19,842
Loss per share – continuing operations			
Basic	11	**(9.4p)**	(2.2p)
Diluted	11	**(9.4p)**	(2.2p)

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	2019 £'000	2018 £'000
Loss from continued operations	**(6,170)**	(1,643)
Profit from discontinued operations	**403**	21,485
(Loss)/profit for the year	**(5,767)**	19,842
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Exchange difference on retranslation of net assets and results of overseas subsidiaries from continuing operations	**5**	(50)
Reclassification to income statement for discontinued operations	**—**	216
Total comprehensive (loss)/profit for the year	**(5,762)**	20,008
Attributable to:		
Equity shareholders of the Company	**(5,762)**	20,008
Non-controlling interest	—	—
Total comprehensive (loss)/profit for the year	**(5,762)**	20,008

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Attributable to equity shareholders of the parent company								
	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Translation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Sub-total £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2018	1,462	46,375	1,139	(2,037)	—	(35,260)	11,679	434	12,113
Profit for the year	—	—	—	—	—	19,842	19,842	—	19,842
Recycled translation reserve	—	—	—	216	—	—	216	—	216
Exchange difference on retranslation of net assets and results of overseas subsidiaries	—	—	—	(50)	—	—	(50)	—	(50)
Total comprehensive profit for the year	—	—	—	166	—	19,842	20,008	—	20,008
Lapse of share options	—	—	(725)	—	—	725	—	—	—
Reserve credit for equity-settled share-based payment	—	—	303	—	—	—	303	—	303
Acquisition of non-controlling interest	—	—	—	—	—	282	282	(434)	(152)
Transactions with owners	—	—	(422)	—	—	1,007	585	(434)	151
Balance at 31 December 2018	1,462	46,375	717	(1,871)	—	(14,411)	32,272	—	32,272
Loss for the year	—	—	—	—	—	(5,767)	(5,767)	—	(5,767)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	—	—	—	5	—	—	5	—	5
Total comprehensive loss for the year	—	—	—	5	—	(5,767)	(5,762)	—	(5,762)
Capital reduction	—	(28,948)	—	—	—	28,948	—	—	—
Repurchase and cancellation of shares	(476)	—	—	—	476	(10,950)	(10,950)	—	(10,950)
Exercise of share options	4	27	(6)	—	—	6	31	—	31
Lapse of share options	—	—	(60)	—	—	60	—	—	—
Reserve debit for equity-settled share-based payment	—	—	(19)	—	—	—	(19)	—	(19)
Transactions with owners	(472)	(28,921)	(85)	—	476	18,064	(10,938)	—	(10,938)
Balance at 31 December 2019	**990**	**17,454**	**632**	**(1,866)**	**476**	**(2,114)**	**15,572**	**—**	**15,572**

Consolidated statement of financial position
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Intangible assets	12	**1,596**	1,235
Property, plant and equipment	13	**86**	84
Right-of-use assets	14	**73**	304
Investments	15	**2,000**	2,000
Total non-current assets		**3,755**	3,623
Current assets			
Trade and other receivables	16	**2,353**	3,586
Corporation tax receivable		**16**	—
Cash and cash equivalents	17	**13,053**	30,915
Total current assets		**15,422**	34,501
Total assets		**19,177**	38,124
Liabilities			
Current liabilities			
Trade and other payables	18	**(3,241)**	(5,080)
Current tax liabilities		**—**	(232)
Lease obligation	19	**(79)**	(232)
Total current liabilities		**(3,320)**	(5,544)
Non-current liabilities			
Deferred income tax liabilities	10	**(285)**	(231)
Lease obligation	19	**—**	(77)
Total non-current liabilities		**(285)**	(308)
Total liabilities		**(3,605)**	(5,852)
Net assets		**15,572**	32,272
Equity attributable to owners of the parent company			
Ordinary share capital	20	**990**	1,462
Share premium	20	**17,454**	46,375
Share-based payment reserve	21	**632**	717
Capital redemption reserve		**476**	—
Translation reserve		**(1,866)**	(1,871)
Retained earnings		**(2,114)**	(14,411)
Equity attributable to shareholders of the Company		**15,572**	32,272

The financial statements were approved and authorised for issue by the Board of Directors on 6 March 2020 and signed on its behalf by:

Richard Petti
Chief Executive Officer

Tim Gingell
Chief Financial Officer

IQGeo Group plc
Registered Number: 05589712

Consolidated statement of cash flows
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Operating activities			
Loss before tax from continuing operations		**(6,234)**	(1,604)
Gain/(loss) before tax from discontinued operations		**161**	(824)
Loss before tax		**(6,073)**	(2,428)
Adjustments for:			
Depreciation	13, 14	**285**	1,081
Amortisation and impairment	12	**815**	2,025
Loss on the disposal of property, plant and equipment		**—**	14
Revaluation of intercompany balances		**110**	(151)
Share-based payment charge		**(19)**	303
Gain on sale of Japan business		**—**	(619)
Finance income	8	**(72)**	(8)
Finance costs	8	**10**	156
Operating cash flows before working capital movement		**(4,944)**	373
Change in inventories		**—**	198
Change in receivables		**388**	2,012
Change in payables		**(10)**	(2,071)
Cash generated from operations before tax		**(4,566)**	512
Net income taxes received/(paid)		**(124)**	407
Net cash flows from operating activities		**(4,690)**	919
Cash flows from investing activities			
Purchases of property, plant and equipment		**(56)**	(316)
Expenditure on intangible assets		**(1,176)**	(1,844)
Cash received on sale of the RTLS SmartSpace business unit		**1,060**	28,882
Cash in RTLS SmartSpace business unit at disposal		**—**	(2,313)
Disposal costs in relation to the RTLS SmartSpace business unit		**(1,839)**	(704)
Sale of Japan Geospatial third party services business		**—**	569
Interest received		**72**	8
Net cash flows from investing activities		**(1,939)**	24,282
Cash flows from financing activities			
Repayment of borrowings		**—**	(2,500)
Interest paid		**(2)**	(73)
Payment of lease liability		**(238)**	(743)
Purchase of non-controlling interest		**—**	(152)
Repurchase of ordinary share capital		**(10,950)**	—
Proceeds from the issue of ordinary share capital		**31**	—
Net cash flows from financing activities		**(11,159)**	(3,468)
Net increase in cash and cash equivalents		**(17,788)**	21,733
Cash and cash equivalents at start of period		**30,915**	9,114
Exchange differences on cash and cash equivalents		**(74)**	68
Cash and cash equivalents at end of period	17	**13,053**	30,915

Notes to the consolidated financial statements

for the year ended 31 December 2019

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 value of IQGeo Group plc shares, as quoted on the London Stock Exchange at 31 December 2019, was 57.5 pence per share (31 December 2018: 67.5 pence).

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

The Group has its operations in the UK, USA, Canada, Germany and Japan, and sells its products and services in North America, Japan, the UK and Europe. The Group legally consists of six subsidiary companies headed by IQGeo Group plc. A full list of subsidiaries is given in note 22 of the financial statements.

The consolidated financial statements have been approved for issue by the Board of Directors on 6 March 2020.

2 New accounting standards

For the purposes of the preparation of the consolidated financial statements, the Group has applied all standards and interpretations as adopted in the European Union that are effective and applicable for accounting periods beginning on or before 1 January 2019.

The accounting policies used are the same as set out in detail in the Report and Accounts 2018 and have been applied consistently to all periods presented in the financial statements.

IFRS 16 'Leases' became mandatory for adoption on 1 January 2019 and was early adopted from 1 January 2018. There were no other new standards or amendments or interpretations to existing standards that became effective during the year that were material to the Group.

No new standards, amendments or interpretations to existing standards having an impact on the financial statements that have been published and that are mandatory for the Group's accounting periods beginning on or before 1 January 2020, or later periods, have been adopted early.

Standards and interpretations not yet applied by the Group

The following new standards and interpretations, which are yet to become mandatory and have not been applied in the Group's financial statements, are not expected to have a material impact on the Group's financial statements

- IFRS 17 'Insurance contracts'
- Definition of a business (Amendment to IFRS 3)
- Definition of material (Amendment to IAS 1 and IAS 8)

3 Summary of significant accounting policies

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

Basis of preparation

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

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

Going concern basis

The Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the strategic report and Directors' report on pages 1 to 46.

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

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

3 Summary of significant accounting policies continued

Going concern basis continued

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. In particular, operating cash flow and profitability are highly sensitive to revenue mix and the positive contribution of continuing growth in software sales whether on a perpetual licence or subscription basis.

In reaching their going concern conclusion, the Directors have considered that the Group had cash of £13.1 million, with nil bank debt as at 31 December 2019 and sufficient working capital to continue operations.

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

Consolidation

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

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

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

Foreign currencies

a. Functional and presentation currency

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

b. Transactions and balances

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

c. Consolidation

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

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

Business reporting

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

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

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

Revenue recognition

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

Software

Revenue earned from software sales under perpetual licence agreements with maintenance and support is recognised when the software is made available to the customer for use.

If contracts include performance obligations which result in software being customised or altered, the software cannot be considered distinct from the labour service. Revenue recognition is dependent on the contract terms and assessment of whether the performance obligation is satisfied over time. If the conditions of IFRS 15 to recognise revenue over time are not satisfied, revenue is deferred until the software is available for customer use.

Maintenance and support

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

Subscription

Software sold on a non-perpetual basis consists of two performance obligations: a licence obligation for the temporary right to use the software and a post contract customer support obligation for the right to receive updates, enhancements, error corrections and support throughout the contracted term. The customer obtains the right to use the software once the licence has been delivered and the licence period starts. Revenue for the licence obligation is recognised at the point in time when the licence is delivered, whereas the maintenance and support obligation is satisfied over time and the associated revenue recognised on a straight-line basis over the term of the contract. Revenue not recognised in the consolidated income statement is classified as deferred revenue in the consolidated statement of financial position.

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 on the stage of completion of each assignment at the period end date compared to the total estimated service to be provided over the entire contract where the outcome can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. An expected loss on a contract is recognised immediately in the income statement.

Timing of payment

Maintenance and support income 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.

Employee benefits

a. Retirement benefits

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

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

b. Share-based payments

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

Non-recurring items

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

Interest income and expense

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

Tax

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

a. Current tax

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

b. Deferred tax

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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

3 Summary of significant accounting policies continued

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their provisional fair values at the acquisition date. Fair values are reassessed during the measurement period and updated if required. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

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

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

Goodwill

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

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

Research and development

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

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

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

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

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

Other intangible assets

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

Property, plant and equipment

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

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

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

Leased assets

The Group as a lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been presented as non-current assets and lease liabilities have been included in trade and other payables.

Impairment of non-financial assets

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

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

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

Financial instruments

Recognition and derecognition

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

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

Classification and initial measurement of financial assets

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

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

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

The classification is determined by both

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2019

3 Summary of significant accounting policies continued

Financial instruments continued

Subsequent measurement of financial assets continued

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Investments

As part of the sale transaction of the RTLS business unit on 31 December 2018, the Group holds a rollover equity investment in Abyssinian Topco Limited (registered number: 11650137) which, following the transaction, is the parent company of the RTLS SmartSpace business unit.

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

Trade receivables

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

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

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

Classification and measurement of financial liabilities

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

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

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

Trade payables

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

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

Cash and cash equivalents

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

Borrowings

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

Share capital and share premium

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

Share-based payment reserve

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

Capital redemption reserve

The capital redemption reserve relates to the repurchase and subsequent cancellation of issued ordinary share capital.

Translation reserve

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

Retained earnings

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

Non-controlling interests

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

4 Critical accounting judgements and key sources of estimation and uncertainty

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

Significant management judgements

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

Capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical and commercial feasibility is demonstrable. The carrying amount of capitalised development costs at 31 December 2019 is £1.5 million (2018: £1.2 million). After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Revenue recognition

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

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

Deferred tax

A deferred tax asset is recognised where the Group considers it probable that future tax profits will be available against which the tax credit will be utilised in the future. This specifically applies to tax losses and to outstanding vested share options at the statement of financial position date.

In estimating the amount of the deferred tax asset that should be recognised, the Directors make judgements based on current budgets and forecasts about the amount of future taxable profits and the timings of when these will be realised. No deferred tax asset is currently recognised.

Recognition of earn-out consideration

On 31 December 2018 the Group disposed of its RTLS SmartSpace business unit for a consideration of up to £35.0 million, with £30.0 million paid in cash on completion (subject to adjustments for net debt and net working capital) in addition to a £2.0 million rollover investment and further £3.0 million earn out consideration.

The earn-out consideration of £3.0 million is subject to the RTLS SmartSpace business unit meeting the following milestones

- £1.5 million is payable if revenue achieved for the year ended 31 December 2018 is £16.4 million. This milestone was not met
- £1.5 million is payable if revenue achieved for the year ended 31 December 2019 is £22.0 million
- If the first milestone is not met, the full £3.0 million will be paid if the revenue for the 2019 period meets the 2019 target plus the shortfall of the target of the 2018 period. Accordingly, the full £3.0 million earn-out would be achieved if the 2019 revenue for the RTLS SmartSpace business exceeds £22.9 million

While the achievement of an additional £3.0 million earn-out cash consideration remains possible, no contingent asset has been recognised within the statement of financial position as at 31 December 2019. Management believes that this is appropriate as achievement of the milestones is dependent on the new management team's strategy and performance, over which IQGeo have no influence as a minority shareholder. IQGeo have not been informed of the final consolidated results for the year ended 31 December 2019 of the RTLS SmartSpace business unit (Ubisense Limited) as at the release date of this report.

Estimating uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Amortisation and impairment of development costs

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

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

5 Business information

5.1 Operating segments

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

The 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 business unit.

The performance of the discontinued RTLS SmartSpace business unit which was disposed of on 31 December 2018 is disclosed within note 6.

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

5 Business information continued
5.2 Revenue by type of the continuing operations
The following table presents the different revenue streams of the Geospatial business unit:

Revenue of continuing Geospatial operations	2019 £'000	% of total revenue	2018 £'000	% of total revenue
Software	**1,589**	**20%**	1,395	14%
Maintenance and support	**1,251**	**16%**	918	9%
Subscription	**381**	**5%**	—	0%
Services	**2,328**	**30%**	2,424	24%
Total revenue generated from IQGeo own products	**5,549**	**71%**	4,737	47%
Geospatial services from third party products	**2,257**	**29%**	5,242	53%
Total revenue	**7,806**	**100%**	9,979	100%

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

The Group's revenue from external customers in the Group's domicile, the UK, and its major worldwide markets have been identified on the basis of the customers' geographical location. Non-current assets are allocated based on their physical location.

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

	Revenue		Non-current assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	**95**	—	**3,630**	3,252
Europe	**169**	17	**1**	1
USA	**5,897**	7,041	**121**	364
Canada	**1,164**	1,596	**2**	4
Japan	**461**	1,302	**1**	2
Rest of World	**20**	23	**—**	—
	7,806	9,979	**3,755**	3,623

The main country of operation of the Group is the United States of America as this is where the majority of revenue is generated.

2019 revenues include £0.9 million from income deferred at the beginning of the period (2018: £1.4 million) relating to performance obligations satisfied over time.

5.4 Information about major customers of the continuing operations
During 2019, the Group had one customer who generated revenues of greater than 10% of total Geospatial revenue. £1.8 million was generated from one US customer.

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

6 Discontinued operations
On 31 December 2018 the Group disposed of its RTLS SmartSpace business unit for a consideration of up to £35.0 million with £30.0 million paid in cash on completion (subject to adjustments for net debt and net working capital) in addition to a £2.0 million rollover investment and further £3.0 million earn out consideration.

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

The earn-out consideration of £3.0 million is subject to the RTLS SmartSpace business unit meeting the following milestones

- £1.5 million is payable if revenue achieved for the year ended 31 December 2018 is £16.4 million. This milestone was not met
- £1.5 million is payable if revenue achieved for the year ended 31 December 2019 is £22.0 million
- If the first milestone is not met, the full £3.0 million will be paid if the revenue for the 2019 period meets the 2019 target plus the shortfall of the target of the 2018 period. Accordingly, the full £3.0 million earn-out would be achieved if the 2019 revenue for the RTLS SmartSpace business exceeds £22.9 million

While the achievement of an additional £3.0 million earn-out cash consideration remains possible, no contingent asset has been recognised within the statement of financial position as at 31 December 2019. Management believes that this is appropriate as achievement of the milestones is dependent on the new management team's strategy and performance, over which IQGeo have no influence as a non-controlling shareholder. IQGeo have not been informed of the final results for the year ended 31 December 2019 of the RTLS SmartSpace business unit as at the release date of this report.

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

6.1 Income statement for the year ended 31 December 2019

	2019 £'000	2018 £'000
Revenue	—	15,519
Cost of revenues	—	(7,402)
Gross profit	—	8,117
Operating expenses	**161**	(8,804)
Operating profit/(loss)	**161**	(687)
Analysed as:		
Gross profit	—	8,117
Other operating expenses	—	(6,204)
Adjusted EBITDA	—	1,913
Depreciation	—	(808)
Amortisation and impairment of other intangible assets	—	(1,251)
Share option expense	**121**	(55)
Reorganisation costs	**40**	(486)
Operating profit/(loss)	**161**	(687)
Finance income	—	7
Finance costs	—	(144)
Profit/(loss) before tax	**161**	(824)
Income tax	—	(57)
Profit/(loss) from discontinued operations prior to gain on disposal	**161**	(881)
Gain on disposal of the RTLS SmartSpace business unit	**242**	22,366
Profit/(loss) from discontinued operations	**403**	21,485

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

	2019 £'000	2018 £'000
Consideration received or receivable:		
Cash received (as presented within the statement of consolidated cash flows)	—	28,882
Rollover investment in RTLS SmartSpace business unit	—	2,000
Amounts receivable on finalisation of completion accounts	**214**	846
Total disposal consideration	**214**	31,728
Consideration used to settle HSBC debt on 31 December 2018	—	(1,753)
Carrying value of net assets sold	—	(4,804)
Transaction costs incurred	**38**	(1,888)
Accrued bonuses in respect of the transaction completion	**(10)**	(701)
Gain on sale before income tax and reclassification of foreign currency reserve	**242**	22,582
Reclassification of foreign currency reserve	—	(216)
Gain on disposal of the RTLS SmartSpace business unit	**242**	22,366

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

6 Discontinued operations continued
6.2 Cash flows from discontinued operations

	2019 £'000	2018 £'000
Net cash inflow/(outflow) from operating activities	–	(599)
Net cash inflow/(outflow) from investing activities:		
Purchase of property, plant and equipment	–	(245)
Expenditure on intangible assets	–	(985)
Cash received on sale of the RTLS SmartSpace business unit	1,060	28,882
Cash in RTLS SmartSpace business unit at disposal	–	(2,313)
Disposal costs in relation to the RTLS SmartSpace business unit	(1,839)	(704)
Interest received	–	7
Total net cash inflow/(outflow) from investing activities	(779)	24,642
Net cash inflow/(outflow) from financing activities:		
Repayment of bank debt	–	(2,500)
Repayment of lease liability	–	(518)
Interest paid	–	(71)
Total net cash inflow/(outflow) from financing activities	–	(3,089)

7 Employee information
7.1 Employee numbers of continuing operations
The average monthly number of people, including Executive Directors, employed by the Group during the year was:

	Actual number of people as at 31 December		Average monthly number of people	
By activity	2019 Number	2018 Number	2019 Number	2018 Number
Technical consultants	21	24	20	30
Sales & marketing	23	18	24	20
Research & development	16	7	13	7
Administration	11	10	11	10
	71	59	68	67
By geography	2019 Number	2018 Number	2019 Number	2018 Number
United Kingdom	17	15	17	16
Europe	4	1	4	1
North America	47	40	44	41
Asia	3	3	3	9
	71	59	68	67

7.2 Employee benefits of continuing operations
The aggregate employee benefit expense, including Executive Directors, comprised:

	Notes	2019 £'000	2018 £'000
Wages and salaries		7,872	6,395
Social security costs		523	482
Contributions to defined contribution pension arrangements		355	288
Share-based payments	21	102	248
Total aggregate employee benefits		8,852	7,413

8 Finance income and costs of continuing operations

	2019 £'000	2018 £'000
Interest income from cash and cash equivalents	**72**	1
Finance income	**72**	1
Interest expense for lease arrangements	**(10)**	(14)
Finance costs	**(10)**	(14)
Net finance costs	**62**	(13)

9 Loss before tax: analysis of expenses by nature

9.1 Expenses by nature of continuing operations

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

	Notes	2019 £'000	2018 £'000
Amortisation and impairment of other intangible assets	12	**815**	774
Depreciation of owned property, plant and equipment	13	**57**	57
Depreciation of right-of-use assets	14	**228**	216
Lease rental charges – land and buildings	19	**221**	—
Research & development costs expensed		**238**	95
Net foreign currency (gains)/losses		**(38)**	(89)
Unrealised foreign exchange (gains)/losses on intercompany trading balances		**110**	(151)
Non-recurring items	9.2	**136**	(619)

9.2 Non-recurring items from continuing operations

	2019 £'000	2018 £'000
Capital reduction	**136**	—
Sale of Japan geospatial third party services business	**—**	(619)
Total non-recurring items	**136**	(619)

Capital reduction

On 2 August 2019, the Company announced a proposed tender offer to repurchase up to a maximum of 28,260,869 of the Company's Ordinary Shares at a price of 46 pence per Ordinary Share. Following approval of the tender offer by a General Meeting of shareholders on 22 August 2019, the tender offer completed on 30 August 2019, resulting in the share capital reducing by 23,803,690 and £10,950,000 of surplus funds being returned to shareholders in September 2019.

Sale of Japan geospatial third party services business

On 30 March 2018, the Group sold its Japan third party geospatial services, including the Geoplan brand name, for a gross consideration of JPY 100 million (£0.7 million). This has been credited to the income statement in arriving at a gain before tax.

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

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

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

9 Loss before tax: analysis of expenses by nature continued
9.3 Auditor's remuneration
During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2019 £'000	2018 £'000
Fees payable to the Group's auditor for the audit of:		
Parent Company and consolidated financial statements	70	59
Financial statements of subsidiaries, pursuant to legislation	10	70
Total audit fees	**80**	**129**
Fees payable to the Group's auditor for other services:		
Tax advisory	17	7
Tax services associated with the Group reorganisation	–	179
Audit related assurance services	21	14
Other services	–	–
Total non-audit fees	**38**	**200**
Total auditor's remuneration	**118**	**329**

The auditor of IQGeo Group plc is Grant Thornton UK LLP.

10 Income tax
10.1 Income tax recognised in the income statement

	2019 £'000	2018 £'000
Current tax – continuing operations		
Corporation tax	–	–
Adjustment in respect of prior year	118	213
Foreign tax	–	(238)
Total current tax credit/(charge)	**118**	**(25)**
Deferred tax – continuing operations		
Origination and reversal of temporary differences	(54)	(14)
Total deferred tax charge	**(54)**	**(14)**
Total income tax credit/(charge) for the year – continuing operations	**64**	**(39)**

	2019 £'000	2018 £'000
Current tax – discontinued operations		
Corporation tax	–	–
Adjustment in respect of prior year	–	300
Foreign tax	–	(407)
Total current tax charge	**–**	**(107)**
Deferred tax – discontinued operations		
Origination and reversal of temporary differences	–	50
Total deferred tax credit	**–**	**50**
Total income tax charge for the year – discontinued operations	**–**	**(57)**
Total income tax credit/(charge) for the year	**64**	**(96)**

The tax credit differs from the standard rate of corporation tax in the UK for the year of 19% (2018: 19%) for the following reasons:

	2019 £'000	2018 £'000
Loss before tax – continuing operations	**(6,234)**	(1,604)
Gain before tax from discontinued operations	**403**	21,542
Total (loss)/gain before tax	**(5,831)**	19,938
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.0% (2018: 19%)	**(1,108)**	3,788
Tax effects of:		
Expenses not deductible for tax purposes	**16**	75
Income not subject to income tax	**(77)**	(2,138)
Utilisation of previously unrecognised tax losses	**(24)**	(1,987)
Unrecognised deferred tax movements	**1,371**	256
Tax unprovided/(overprovided) in prior years	**(118)**	15
Research & development tax credits – prior years	**–**	(513)
Difference on tax treatment of share options – unrecognised	**19**	57
Differential on overseas tax rates	**(143)**	543
Total income tax debit/(credit)	**(64)**	96

10.2 Factors that may affect future tax charges

The Group has tax losses of £17.6 million (2018: £8.7 million) that are available for offset against future taxable profits of those subsidiary companies in which the tax losses arose. The increase in tax losses from the prior year is partially due to clarification of the tax implications of the Group reorganisation undertaken in 2018. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and they have arisen in subsidiaries whose future taxable profits are uncertain. No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries, because the earnings are continually reinvested by the Group and no tax is expected to be payable on them in the foreseeable future.

The deferred tax balances have been measured at 19%, the rate of realisation expected.

10.3 Deferred tax

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

	Deferred income tax assets		Deferred income tax liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 January	**–**	–	**(231)**	(516)
Deferred tax credited to the income statement	**–**	–	**150**	349
Deferred tax charged to the income statement	**–**	–	**(204)**	(313)
Disposal of RTLS SmartSpace business unit	**–**	–	**–**	249
At 31 December	**–**	–	**(285)**	(231)

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

	2019 £'000	2018 £'000
Development costs capitalised	**(285)**	(231)
Total deferred income tax liabilities	**(285)**	(231)

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

	2019 £'000	2018 £'000
Tax losses carried forward	**3,396**	1,549
Equity-settled share options temporary differences	**8**	33
Total unrecognised deferred tax assets	**3,404**	1,582

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

11 Earnings per share (EPS)

	2019	2018
Earnings attributable to Ordinary Shareholders		
Loss from continuing operations ('000)	**(6,170)**	(1,643)
Gain from discontinued operations ('000)	**403**	21,485
(Loss)/gain from continuing and discontinued operations ('000)	**(5,767)**	19,842
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	**65,977**	73,088
Effect of dilutive potential ordinary shares:		
– Share options ('000)	**67**	257
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	**66,044**	73,345
Continuing operations EPS		
Basic and diluted EPS (pence)	**(9.4)**	(2.2)
Discontinued operations EPS		
Basic and diluted EPS (pence)	**0.6**	29.4
Continuing and discontinued operations EPS		
Basic and diluted EPS (pence)	**(8.7)**	27.1

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

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

Continuing operations	Notes	2019	2018
Continued earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)		**(6,170)**	(1,643)
Adjustments:			
Reversal of share-based payments charge (£'000)	21	**102**	248
Unrealised foreign exchange gains/(losses) on intercompany trading balances ('000)		**110**	(151)
Reversal of non-recurring items (£'000)	9	**136**	(619)
Net adjustments (£'000)		**348**	(522)
Adjusted earnings (£'000)		**(5,822)**	(2,165)
Adjusted diluted EPS from continuing operations (pence)		**(8.8)**	(3.0)

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

12 Intangible assets

	Goodwill £'000	Acquired customer relationships and order backlog £'000	Acquired software products £'000	Capitalised product development costs £'000	Software £'000	Total £'000
Cost						
At 1 January 2018	8,805	2,240	650	15,936	1,407	29,038
Exchange difference	—	—	—	—	85	85
Additions	—	—	—	1,650	194	1,844
Disposal of RTLS SmartSpace business unit	(3,256)	—	—	(11,139)	(355)	(14,750)
Disposal of Japan geospatial services business	(2,579)	(2,240)	(650)	—	(403)	(5,872)
Disposal – other	—	—	—	—	(906)	(906)
At 31 December 2018	2,970	—	—	6,447	22	9,439
Additions	—	—	—	1,074	102	1,176
At 31 December 2019	**2,970**	**—**	**—**	**7,521**	**124**	**10,615**
Accumulated amortisation						
At 1 January 2018	(8,805)	(2,240)	(650)	(13,220)	(1,161)	(26,076)
Effects of movement in exchange rates	—	—	—	—	(79)	(79)
Charge for the year	—	—	—	(1,839)	(186)	(2,025)
Disposal of RTLS SmartSpace business unit	3,256	—	—	9,825	144	13,225
Disposal of Japan geospatial services business	2,579	2,240	650	—	376	5,845
Disposal – other	—	—	—	—	906	906
At 31 December 2018	(2,970)	—	—	(5,234)	—	(8,204)
Charge for the year	—	—	—	(788)	(27)	(815)
At 31 December 2019	**(2,970)**	**—**	**—**	**(6,022)**	**(27)**	**(9,019)**
Net book amount						
At 31 December 2019	**—**	**—**	**—**	**1,499**	**97**	**1,596**
At 31 December 2018	—	—	—	1,213	22	1,235

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

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

The software assets represent assets purchased from third parties.

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

13 Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2018	733	1,292	2,025
Effect of movements in exchange rates	19	29	48
Additions	214	102	316
Disposal of RTLS SmartSpace business unit	(760)	(864)	(1,624)
Disposals – other	–	(383)	(383)
At 31 December 2018	206	176	382
Effect of movements in exchange rates	(7)	(4)	(11)
Additions	7	49	56
Disposals – other	(25)	(35)	(60)
At 31 December 2019	**181**	**186**	**367**
Accumulated depreciation			
At 1 January 2018	(391)	(1,141)	(1,532)
Effect of movements in exchange rates	(15)	(35)	(50)
Charge for the year	(117)	(95)	(212)
Disposal of RTLS SmartSpace business unit	343	771	1,114
Disposals – other	–	382	382
At 31 December 2018	(180)	(118)	(298)
Effect of movements in exchange rates	7	7	14
Charge for the year	(16)	(41)	(57)
Disposals – other	25	35	60
At 31 December 2019	**(164)**	**(117)**	**(281)**
Net book amount			
At 31 December 2019	**17**	**69**	**86**
At 31 December 2018	26	58	84

14 Right-of-use assets

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

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

	2019 £'000	2018 £'000
Cost		
At 1 January	**502**	3,002
Effect of movements in exchange rates	**(10)**	–
Additions	**–**	63
Disposal of RTLS SmartSpace business unit	**–**	(2,563)
Cost at 31 December	**492**	502
Depreciation		
At 1 January	**(198)**	–
Effect of movements in exchange rates	**7**	23
Charge for the year	**(228)**	(869)
Disposal of RTLS SmartSpace business unit	**–**	648
Depreciation at 31 December	**(419)**	(198)
Net book amount at 31 December	**73**	304

15 Investments

At 31 December 2019, the Group holds a rollover investment in Abyssinian Topco Limited as part of the consideration for the sale of the RTLS SmartSpace business unit on 31 December 2018. Abyssinian Topco Limited is a UK registered company (company number 11650137) and is a parent company of Ubisense Limited (company number 04489603) which, along with its subsidiary companies, comprise the RTLS SmartSpace business unit.

	£'000
Investment as at 31 December 2019 and 31 December 2018	2,000

IQGeo Group plc holds 5.3% (2018: 5.6%) of the ordinary share capital of Abyssinian Topco Limited.

16 Trade and other receivables

	Notes	**2019 £'000**	2018 £'000
Trade receivables, gross		**1,365**	1,535
Allowances for expected credit losses	16.1	**(4)**	–
Trade receivables, net	16.2	**1,361**	1,535
Amounts recoverable on contracts		**336**	610
Other receivables		**68**	915
Prepayments		**540**	485
VAT and taxation receivable		**48**	41
Total trade and other receivables		**2,353**	3,586

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

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

16.1 Movement in allowance for expected credit losses

	2019 £'000	2018 £'000
At 1 January	**–**	(1,460)
Exchange differences	**–**	(25)
Amounts recovered in the year	**–**	204
Amounts written off in the year	**35**	–
Allowance released	**–**	42
Provided debts disposed of on 31 December 2018	**–**	1,239
Allowance made	**(39)**	–
At 31 December	**(4)**	–

16.2 Ageing of past due but not impaired receivables

	2019 £'000	2018 £'000
Neither past due nor impaired	**1,173**	1,533
Past due but not impaired:		
0 to 90 days overdue	**188**	2
More than 90 days overdue	**–**	–
Total	**1,361**	1,535

Notes to the consolidated financial statements continued
for the year ended 31 December 2019

17 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	**13,053**	30,915
Cash and cash equivalents	**13,053**	30,915

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

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

By currency	2019 £'000	2018 £'000
British Pound (GBP)	**10,083**	29,076
Euro (EUR)	**373**	–
US Dollar (USD)	**1,936**	1,030
Japanese Yen (JPY)	**392**	5
Canadian Dollar (CAD)	**269**	804
Cash and cash equivalents	**13,053**	30,915

18 Trade and other payables

	2019 £'000	2018 £'000
Deferred income	**1,118**	913
Trade payables	**272**	2,175
Trade accruals	**1,428**	1,734
Other taxation and social security	**317**	214
Other payables	**106**	44
Total trade and other payables	**3,241**	5,080

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

19 Lease obligation

The Group early adopted IFRS 16 and from 1 January 2018 has recognised a lease liability for leases previously classified as operating leases applying IAS 17.

The Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

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

	2019 £'000	2018 £'000
At 1 January	**309**	3,002
Effect of movements in exchange rates	**1**	23
New leases entered into during the year	**–**	63
Finance costs incurred	**7**	96
Payments made during the year	**(238)**	(743)
Disposal of RTLS SmartSpace business unit	**–**	(2,132)
At 31 December	**79**	309
Presented as:		
Lease liability payable within one year	**79**	232
Lease liability payable in more than one year	**–**	77
At 31 December	**79**	309

On 20 December 2019, the Group entered into a seven year lease running to February 2028 on new premises in Denver as the lease on the existing premises in Denver ends on 30 April 2020. While the new Denver lease agreement has been contracted, a capital asset for the present value of the future payments, and its associated liability, have not been recognised on the balance sheet in accordance with IFRS 16, as the lease period will not commence until March or April 2020. In addition, £0.2 million fit-out costs net of landlord's contribution will be incurred in the first half of 2020.

The lease liability consists of £80,000 of lease payments after deduction £1,000 of future finance charges.

Leases as lessee

The Group maintains short-term office rental agreements within Germany, Japan and the UK. The leases entered into are twelve months or less and the Group has elected to not apply IFRS 16 to these leases due to their short-term nature. The 2019 operating expense presented within the consolidated income statement includes £221,000 of rent expense in respect of these leases. The future obligations for the new short-term leases are reported within the table below.

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

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

	Land and buildings 2019 £'000	Land and buildings 2018 £'000
No later than one year	**231**	191
Total	**231**	191

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

20 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Total £'000
Balance at 1 January 2018 and 31 December 2018	73,087,904	1,462	46,375	47,837
Issued under share-based payment plans	219,215	4	27	31
Capital reduction	—	—	(28,948)	(28,948)
Repurchase and cancellation of shares	(23,803,690)	(476)	—	(476)
Change in year	(23,584,475)	(472)	(28,921)	(29,393)
Balance at 31 December 2019	**49,503,429**	**990**	**17,454**	**18,444**

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

At the Company Annual General Meeting on 5 June 2019, the Directors obtained shareholder approval to complete a Capital Reduction with the Company's share premium account being reduced by £28,948,000. On 16 July 2019 a Court Order was granted to allow a capital reduction.

On 2 August 2019, the Company announced a proposed tender offer to repurchase up to a maximum of 28,260,869 of the Company's Ordinary Shares at a price of 46 pence per Ordinary Share. Following approval of the tender offer by a General Meeting of Shareholders on 22 August 2019, the tender offer completed on 30 August 2019 resulting in the share capital reducing by 23,803,690 and £10,950,000 of surplus funds being returned to shareholders in September 2019.

Notes to the consolidated financial statements continued
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21 Share-based payments: options
21.1 Equity-settled share-based payment arrangements
The Group operates a number of plans to award options over shares in the Company to incentivise high performing key employees of the Group periodically.

Other than the December 2016 share option award set out in note 21.4, the options generally vest evenly over three years on the anniversary from the date of the grant or entirely on the third anniversary from the date of grant, depending on continuing service during the vesting period. The contractual life of the options is ten years from the date of grant, after which they expire if unexercised.

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

The allocation between continuing and discontinued operations is as follows:

	2019 £'000	2018 £'000
Share-based payments charge presented as continuing operations	**102**	248
Share-based payments credit/(charge) presented as discontinued operations	**(121)**	55
Total share-based payments (credit)/charge recognised	**(19)**	303

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

	2019 £'000	2018 £'000
Net share-based payments (debit)/credit recognised in equity	**(19)**	303

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

	2019 £'000	2018 £'000
Cumulative reserve credit for share-based payments	**632**	717

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

Arrangement	Award date Year	Vests Years	Expires Year	Exercise price £	Awards outstanding at 1 Jan 2019 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 31 Dec 2019 Number	Awards exercisable at 31 Dec 2019 Number
Options	2010	2011–13	2020	0.140	320,172	—	219,215	6,000	94,957	94,957
	2011	2012–14	2021	1.050	100,200	—	—	71,500	28,700	28,700
	2012	2013–15	2022	2.125	70,500	—	—	42,500	28,000	28,000
	2013	2014–16	2023	2.055	77,850	—	—	45,100	32,750	32,750
	2014	2015–17	2024	2.250	45,000	—	—	35,000	10,000	10,000
	2016	2017–19	2026	0.020	5,250,000	—	—	1,900,000	3,350,000	—
	2018	2019–21	2028	0.555	350,000	—	—	—	350,000	116,666
Total					**6,213,722**	**—**	**219,215**	**2,100,100**	**3,894,407**	**311,073**
Weighted average exercise price (£)					0.138	—	0.140	0.179	0.117	0.828
Weighted average remaining contractual life					7.5 years				6.8 years	4.1 years

21.4 Share option scheme details
2010 granted share options

90,657 14 pence share options have been exercised during January 2020. Any remaining 14 pence unexercised share options will expire during 2020.

2016 granted share options

On 14 December 2016 IQGeo Group plc implemented a new long-term incentive share option plan for Executive Directors and key management. IQGeo Group plc granted 5,600,000 options of two pence each in the Company with an exercise price set at the nominal value. The options vest if the Company's share price exceeds 70 pence for 60 consecutive calendar days between the 2nd and 3rd anniversary of issue and the period of employment continues for over three years.

Due to the LTIP performance condition not being reached in the year to 14 December 2019, the share options have not vested. Despite the performance condition not being met, the Remuneration Committee retains the right to extend the vesting period for another twelve months in exceptional circumstances. The Remuneration Committee has not exercised this right to date, and expects to replace this existing LTIP scheme with a new one during 2020.

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

Within the 2019 financial statements a credit of £39,000 (2018: £291,000 charge) has been recognised in respect of share options granted on 14 December 2016 of which £121,000 credit relates to discontinued operations.

2018 granted share options

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

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

Within the 2019 financial statements a charge of £20,000 (2018: £12,000) has been recognised in respect of share options granted on 24 May 2018.

22 Subsidiaries

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

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

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

All subsidiaries prepare local statutory accounts up to 31 December each year.

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23 Related party transactions
23.1 Remuneration of key personnel
The key management have been assessed to be the Directors of the Group (Executive and Non-Executive) during the 2019 and 2018 period.

During the year, there was an average number of seven key management personnel (2018: seven) and seven key management personnel at 31 December 2019 (2018: seven). The compensation paid or payable to key management for employee services is shown below:

	2019 £'000	2018 £'000
Short-term employee benefits		
Wages and salaries	**533**	519
Social security costs	**87**	72
Performance payments	**136**	247
Termination payment	**19**	–
Other benefits	**8**	5
	783	843
Post-employment benefits		
Contributions to defined contribution pension arrangements	**28**	53
Share-based payments		
Equity-settled share-based payments	**26**	175
Total key management compensation	**837**	1,071

23.2 Transactions with the Group related parties
There were no other related party transactions with Directors of the Company during 2019 or 2018 other than acquisition and disposal of shares described within the Directors' report.

24 Financial risk management
24.1 Risk management objectives and policies
The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised within note 24.7. The main types of risks are market risk (including foreign currency risk), credit risk and liquidity risk.

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

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

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

	Japanese Yen		US Dollars		Euros	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Assets	**–**	–	**413**	53	**84**	–
Liabilities	**(10)**	(19)	**(1)**	(7)	**–**	(9)

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

24.3 Foreign currency sensitivity analysis

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

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

	Japanese Yen		US Dollars		Euros	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Effect of a 5% appreciation of the local currency:						
Income statement	**(1)**	(1)	**22**	2	**4**	–
Equity	**(1)**	(1)	**22**	2	**4**	–
Effect of a 5% depreciation of the local currency:						
Income statement	**–**	1	**(20)**	(2)	**(4)**	–
Equity	**–**	1	**(20)**	(2)	**(4)**	–

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

24.4 Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge a contractual obligation resulting in financial loss to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised in note 24.7, which are principally cash and cash equivalents and trade receivables.

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

The Group's management considers that its financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. All receivables are subject to regular review to ensure that they are recoverable and any issues identified as early as possible. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. In addition, many of the Group's customers, and approximately 80% by balance at any given time, are large utility companies and other blue-chip companies that would be considered a low credit risk. As a consequence management have determined that there is no expected credit loss in respect of trade receivables at 31 December 2019.

The amount of exposure to any single counterparty or a group of counterparties having similar characteristics is subject to a limit, which is reassessed periodically by management. At 31 December 2019, one customer individually accounted for more than 32% of the gross trade receivables balance (31 December 2018: more than 51%).

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

Details of certain trade receivables at 31 December 2019 that have not been settled by the contractual due date but are not considered to be impaired are included in note 16.2.

24.5 Liquidity risk analysis

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

Cash flow forecasting is performed at the subsidiary level and aggregated by Group finance. Rolling cash flow forecasts are used by the Group to monitor liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group policy throughout the year has been to remit surplus working capital balances at the subsidiary level to Group treasury and place on short-term deposit or interest bearing reserve accounts and distribute funds locally when required.

The Group's existing cash balances exceed the current cash outflow requirements.

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24 Financial risk management continued
24.5 Liquidity risk analysis continued
As at 31 December 2019, the Group's financial liabilities have contractual maturities as summarised below:

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 31 December 2019				
Trade and other payables	**3,241**	**–**	**–**	**–**
Lease obligations	**79**	**–**	**–**	**–**
Other payables	**–**	**–**	**–**	**–**
As at 31 December 2018				
Trade and other payables	5,312	–	–	–
Lease obligations	119	113	77	–
Other payables	–	–	–	–

Financial assets used for managing liquidity risk
Cash flows from trade and other receivables are contractually due within three months in the majority of cases. Where surplus cash deposits are identified these are placed in accounts with access terms of no more than three months.

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

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

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

The Group has no bank loan facilities at 31 December 2019 (31 December 2018: £nil).

24.7 Categories of financial instruments

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

	Notes	2019 £'000	2018 £'000
Financial assets			
Fair value through the profit and loss:			
– Investments	15	**2,000**	2,000
Amortised cost:			
– Trade receivables	16	**1,361**	1,535
– Amounts recoverable on contracts	16	**336**	610
– Other receivables	16	**68**	915
– Cash and cash equivalents	17	**13,053**	30,915
Total financial assets		**16,818**	35,975
Financial liabilities			
Amortised cost:			
– Trade payables	18	**272**	2,175
– Trade accruals	18	**1,428**	1,734
– Other payables	18	**106**	44
– Lease obligation	19	**79**	309
Total financial liabilities		**1,885**	4,262

25 Reconciliation of liabilities arising from financing activities

	HSBC loan £'000	Lease liability £'000	Total £'000
At 1 January 2018	2,500	—	2,500
Cash flows:			
Repayment	(2,500)	(743)	(3,243)
Non-cash			
Recognition on adoption of IFRS 16	—	3,002	3,002
Additions	—	63	63
Effect of moving exchange rates	—	23	23
Interest applied to principle	—	96	96
Disposal of the RTLS SmartSpace business	—	(2,132)	(2,132)
At 31 December 2018	—	309	309
Cash flows:			
Repayment	—	(238)	(238)
Non-cash			
Effect of moving exchange rates	—	1	1
Interest applied to principle	—	7	7
At 31 December 2019	**—**	**79**	**79**

Company balance sheet
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments	3	**2,384**	2,110
Current assets			
Debtors falling due within one year	4	**12,950**	14,027
Debtors falling due after one year	4	**6,076**	9,715
Cash at bank and in hand		**9,851**	28,948
		28,877	52,690
Creditors – amounts falling due within one year	5	**(418)**	(6,207)
Net current assets		**28,459**	46,483
Total assets less current liabilities		**30,843**	48,593
Net assets		**30,843**	48,593
Capital and reserves			
Called-up share capital	6	**990**	1,462
Share premium account	7	**17,454**	46,375
Share-based payment reserve	7	**632**	717
Capital redemption reserve	7	**476**	–
Profit and loss reserve	7	**11,291**	39
Equity shareholders' funds		**30,843**	48,593

The notes on pages 86 to 88 are an integral part of the Company financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. IQGeo Group plc reported a loss for the financial year ended 31 December 2019 of £6.8 million (2018: £27.8 million gain).

The financial statements were approved and authorised for issue by the Board of Directors on 6 March 2020 and signed on its behalf by:

Richard Petti
Chief Executive Officer

Tim Gingell
Chief Financial Officer

IQGeo Group plc

Registered Number: 05589712

Company statement of changes in equity
for the year ended 31 December 2019

	Attributable to equity shareholders					
	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	1,462	46,375	1,139	—	(28,467)	20,509
Total comprehensive profit for the year	—	—	—	—	27,781	27,781
Lapse of share options	—	—	(725)	—	725	—
Reserve credit for equity-settled share-based payment	—	—	303	—	—	303
Transactions with owners	—	—	(422)	—	28,506	28,084
Balance at 31 December 2018	1,462	46,375	717	—	39	48,593
Total comprehensive loss for the year	—	—	—	—	(6,812)	(6,812)
Lapse of share options	—	—	(60)	—	60	—
Exercise of share options	4	27	(6)	—	6	31
Capital reduction	—	(28,948)	—	—	28,948	—
Repurchase and cancellation of shares	(476)	—	—	476	(10,950)	(10,950)
Reserve credit for equity-settled share-based payment	—	—	(19)	—	—	(19)
Transactions with owners	(472)	(28,921)	(85)	476	18,064	(10,938)
Balance at 31 December 2019	**990**	**17,454**	**632**	**476**	**11,291**	**30,843**

The notes on pages 86 to 88 are an integral part of the Company financial statements.

Notes to the Company financial statements
for the year ended 31 December 2019

1 Principal accounting policies
Basis of preparation

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

The financial statements are prepared under the historical cost convention.

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

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

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

Share-based payments

The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Vesting conditions are continuing employment and can include, for senior employees, a diluted EPS performance target or share price target. Equity-settled share-based payments are measured at fair value at the date of grant using an appropriate pricing model. The share-based payment is accounted for as a capital contribution to the subsidiaries. Investments in subsidiaries are increased by the aggregate amount of share-based payment with a corresponding increase in equity for the same amount. Information on share options which have been granted to Directors and employees are given in note 21 to the consolidated financial statements.

Investments

Fixed asset investments are stated at historical cost less any provision for impairment.

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

Debtors

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

Creditors

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

Deferred taxation

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

Critical accounting judgements and key sources of estimation and uncertainty

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

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

2 Profit and loss account

The Company does not have any employees (2018: nil). Directors' emoluments are disclosed within the Remuneration Committee report on page 44 of the Corporate governance report. The Directors were not remunerated by IQGeo Group plc.

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

	2019 £'000	2018 £'000
Audit fee – statutory audit	**70**	59
Other services	**—**	—
	70	59

3 Investments

	Investments in subsidiaries £'000	Other investments £000	Total £'000
Cost and net book amount			
At 1 January 2019	110	2,000	2,110
Additions to subsidiaries	74	—	74
Capital contribution relating to share-based payments	200	—	200
At 31 December 2019	**384**	**2,000**	**2,384**

Capital contribution and impairment

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

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

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

Further information about subsidiaries is provided in note 22 of the consolidated financial statements.

4 Debtors

	2019 £'000	2018 £'000
Debtors falling due within one year:		
Amounts owed by subsidiary undertakings	**12,950**	13,180
Other debtors	**—**	847
	12,950	14,027
Debtors falling due after one year:		
Amounts owed by subsidiary undertakings	**6,076**	9,715
	6,076	9,715
Total debtors	**19,026**	23,742

Interest is charged on debtors falling due after one year at a rate of 3.5% plus LIBOR on the balance owed.

Amounts owed by subsidiary undertakings are unsecured.

During 2019, a provision of £6.8 million was made against amounts owed by subsidiary undertakings due within one year.

Notes to the Company financial statements continued
for the year ended 31 December 2019

5 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade accruals	**3**	1,431
Amounts owed to subsidiary undertakings	**415**	4,776
	418	6,207

6 Share capital

	2019 Number	2018 Number	2019 £'000	2018 £'000
Allotted, called up and fully paid				
Ordinary shares of £0.02 each	**49,503,429**	73,087,904	**990**	1,462

Movements during the year are disclosed within note 20 to the Group accounts.

7 Reserves

Share capital and share premium

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

Share-based payment reserve

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

Capital redemption reserve

The capital redemption reserve relates to the repurchase and subsequent cancellation of ordinary share capital.

Retained earnings

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

8 Related party transactions

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

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