



LOCATION
SCIENCES

Location Sciences Group PLC

Interim Report 2019

Registration number: 06458458

LOCATION SCIENCES GROUP PLC
INTERIM UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 2019

LOCATION SCIENCES GROUP PLC

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LOCATION SCIENCES GROUP PLC

CHAIRMAN'S REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Introduction

Location Sciences is the first independent location verification company for the \$160 billion global mobile advertising industry. Working in partnership with brands, media agencies and data suppliers, Location Sciences is improving the performance of location-based advertising campaigns.

As Location Sciences' shareholders are aware, the Company launched Verify, the world's first independent location verification product, in the UK in June 2018 and in the US in January 2019. Utilising sophisticated machine learning and pattern recognition technologies, Verify detects location ad-fraud and shines a light on location data inaccuracy with the aim of bringing back integrity, transparency and trust to the marketplace.

Location Sciences is independent and media-agnostic, meaning we act as a true benchmark from which performance can be measured. The Board has high expectations for the product's potential over the coming years.

During the period, the Company achieved revenue of £454,872 (2018: £234,307), a 94% increase in revenue compared to H1 2018, and a gross profit of £267,144 (2018: £141,408) from continuing operations. The Directors are pleased with the gross margin of 59 per cent and expect it to improve in the second half of 2019 as Verify becomes a larger part of the revenue mix.

Verify revenues were £113,536 (2018: £53,922) an increase of 110%. Administrative expenses were £1,437,483 (2018: £1,273,841), reflecting the beginnings of the investment in Verify and the Company's expansion into the US, being the largest digital advertising marketplace.

Overall, the Company delivered a loss of £1,049,503 (2018: a loss of £1,046,253). With further investment in product development, business development and accreditation of Verify, the Company continues to remain in an investment stage.

KPI update

1. Impressions - delivered 550 million verified impressions versus H1 target of 250 million (H1 2018: Nil);
2. Brands - secured 49 new brands for its Verify platform versus 2019's target of 50 new brands. This brings the total number of brands utilising Verify to 58; and
3. Accreditations - one supplier, SITO, has been accredited to date versus a target of six for the full year.

This represents great progress for Verify, with a growing number of brands now utilising our platform to improve the performance of their advertising campaigns. To assist in raising awareness of the need for transparency in the industry, Location Sciences published a report entitled "The State of Location Advertising" in August 2019. The report contained key insights and results from the 550 million impressions verified in H1 2019 and has been widely picked up by media due to its robust findings, namely:

- 65% of advertising budgets are being wasted on mistargeted and poor-quality location data
- 36% of GPS enabled applications were found to display location fraud
- Only 14% of the 550 million impressions verified were high quality GPS signals

These results illustrate the huge need for transparency in the location advertising industry and the potential performance enhancement brands can achieve by implementing Verify. The report can be downloaded using the following link - <https://www.locationsciences.ai/blog/insights-report-h12019>

LOCATION SCIENCES GROUP PLC

CHAIRMAN'S REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Commercial overview

The Company delivered some key client wins during the year to date, and the Directors are focused on securing further major clients in the coming months.

We were delighted to announce long-term contracts with Blis Media Limited and Vicinity Media in September 2019. Blis Media Limited is the global leader in advanced location data technology and Vicinity Media is Africa's first premium location-based ad network. They selected Verify as their chosen route to increase transparency and pave the way for substantial improvements in data accuracy. These are further proof points for the value of Verify to brands, media agencies and suppliers.

As highlighted in Location Sciences' August trading update, the Company has evolved its strategy in response to industry challenges. Due to the first mover nature of Verify, and low awareness of the need for location verification, sales cycles are longer than previously envisaged.

The impact of this is being mitigated by the expansion of the US team, investment in business development, and expanding the Company's portfolio of products. These new products- audience, supply and pre-bid- are extensions of our Verify product and have been developed to meet demand across an array of industries and markets. As shareholders are aware, the Board remains focused on delivering a highly scalable platform business that delivers long-term recurring revenues.

The second half of 2019 will see the strengthened US team maximise Location Sciences' first mover advantage in the \$160 billion digital advertising market, set to reach \$250 billion by 2021 (Source: Statista July 2019 - Mobile advertising spending worldwide from 2007 to 2021). This includes driving growth in sectors where location transparency is a "must have", for example those impacted by regulation, politics and hyper-local commercial imperatives such as franchisees.

Significant experience added to the senior team

The strength and depth of the Location Sciences senior team has been significantly bolstered during the first part of 2019. Notable new hires are:

Donnie Williams, NED

Donnie is the Chief Digital Officer for Horizon Media, Inc. ("Horizon") responsible for business development, operations, capability establishment and implementation, as well as marketing. He has been instrumental in expanding Horizon's digital capabilities. This includes its performance media services division and its digital experiences practice, providing Horizon clients with comprehensive solutions. He manages an expanding team of more than 300 digital experts with established capabilities in both the New York and Los Angeles offices.

Donnie has served in several advisory roles in the past and was named an OMMA Online All-Star. Prior to Horizon, Donnie worked at Ignited USA and Carat Global.

Niall Hogan, NED

Niall has over 18 years' experience in nurturing digital and technology businesses in the UK, European and Asian markets. Most recently, Niall was a managing director at Integral Ad Science ("IAS") Southeast Asia. He joined IAS in 2013 to lead the UK and European team which he grew from a single employee to more than 65. Since the beginning of 2017, he has been based in Singapore where he was responsible for IAS Southeast Asia and was focused on new business, employee recruitment and ongoing client engagement. Prior to IAS, Niall was the UK Sales Director at Tribal Fusion (now Exponential), where he helped establish the company as a key player in the UK network space. Prior to Tribal Fusion, he held Digital Sales Director roles at Hearst Digital and EMAP Interactive (now Bauer Advertising).

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CHAIRMAN'S REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Significant experience added to the senior team (continued)

Jason Smith, US Chief Business Officer

Jason joined the Company with over 16 years' experience in the out-of-home and digital advertising space. He was a former senior partner and MD of global media agency, Mindshare, where he led the business and performance strategy for notable clients such as GEICO and Capital One. Prior to Mindshare, Jason spent 10 years at Horizon Media Inc. In his most recent role as VP of Digital Investments, he headed up trading and partnership developments.

At Location Sciences, Jason is working to establish and build relationships with key customers in the US and develop robust marketing strategies to raise awareness of inaccurate location fraud and its impact on campaign performance. In addition, Jason will be further expanding Location Sciences' US team, ensuring that Verify brings transparency and trust to the location data marketplace.

Andy Roberts, Adviser to the Board

Andy took on this new role following eight years at MindShare, the global media agency network, where he was Global Head of Trading and worked with clients such as Unilever, Ford, Dyson, Booking.com, Chanel and BP. He was responsible for developing best practices to tackle digital fraud, contextual brand safety and viewability. Working closely with global clients and major digital players, Google, Facebook and Oath, Andy gained a wealth of experience and a strong interest in location data transparency. Prior to MindShare, Andy held a number of senior roles at companies including Village Green and Starcom, representing advertisers such as P&G, McDonalds, NatWest, Audi, Levi's and Barclays.

Andy's extensive experience in the media business is helping the Location Sciences team to bring greater transparency to location data and identify new opportunities to expand the portfolio of Location Sciences' products.

Michael Iantosca, Adviser to the Board

Michael spent the past seven years as Chief Revenue Officer at Integral Ad Science ("IAS"), a leading verification company in the digital advertising industry. Prior to IAS, Michael served as the Vice President of Ad Sales for VEVO, the world's leading all-premium music video and entertainment platform.

Michael's extensive experience in generating revenues is helping with Location Sciences' commercial drive, which the Board believes will deliver substantial value for investors.

Paul Thompson, Adviser to the Board

Paul joined our team following six years at Blis Media, the global leader in real-world intelligence, where he was most recently Chief Revenue Officer. Prior to this he worked in several senior roles across the media and advertising industry. His recent experience includes private equity backed growth businesses, going through rapid transformation and global expansion, such as Time Out and Yahoo.

Paul's extensive experience working with media owners, media agencies and advertisers means that he has an in-depth understanding of the pressures companies are under to verify the accuracy of location data signals and to provide advertisers with 100% confidence and transparency.

His knowledge will help the Location Sciences team to lead the fight against location ad-fraud and identify new opportunities to expand the portfolio of Location Sciences' products.

LOCATION SCIENCES GROUP PLC

CHAIRMAN'S REPORT FOR THE PERIOD ENDED 30 JUNE 2019

Outlook

The Company's sales run rate in July and August was above £100,000 and set to grow with the addition of new contracts, such as the Blis partnership recently announced. A further uplift of sales is also expected from existing customers during Q4, which encompasses the busy Christmas season for advertisers.

The addition of senior hires with large US media agency and verification experience joining the board, gives us great confidence in our product offering and market strategy. While some of our clients have taken longer to adopt Verify than anticipated, the underlying value proposition is clear and demonstrable. As awareness of the benefits of location verification grows, so too will sales.

The board is looking forward to the remainder of 2019 with excitement. We would like to thank all shareholders for their continued support during these early stages of our lifecycle.

LOCATION SCIENCES GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2019

	Note	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Revenue	4	454,872	234,307	751,853
Cost of sales		(187,728)	(92,899)	(382,273)
Gross profit		267,144	141,408	369,580
Grant income		28,000	90,251	157,927
Other income		250	2,743	-
Administrative expenses		(1,437,483)	(1,273,841)	(2,160,468)
Administrative expenses - non-recurring items 5		-	(89,334)	(99,801)
Operating loss	4	(1,142,089)	(1,128,773)	(1,732,762)
Finance income		112	142	246
Loss before tax		(1,141,977)	(1,128,631)	(1,732,516)
Taxation		92,474	82,378	244,982
Loss for the financial year		(1,049,503)	(1,046,253)	(1,487,534)
Loss attributable to:				
Owners of the company		(1,049,503)	(1,046,253)	(1,487,534)
Earning per share				
Loss per share - basic and diluted		(0.31p)	(0.01p)	(0.98p)

The above results were derived from continuing operations.

The group has no other comprehensive income for the period.

LOCATION SCIENCES GROUP PLC

**(REGISTRATION NUMBER: 06458458)
CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2019**

	30 June 2019 Unaudited £	30 June 2018 Unaudited £	31 December Audited 2018 £
Note			
Non-current assets			
Intangible assets	1,251,119	1,345,385	1,332,915
Property, plant and equipment	17,422	18,282	14,899
	<u>1,268,541</u>	<u>1,363,667</u>	<u>1,347,814</u>
Current assets			
Trade and other receivables	436,746	165,862	359,264
Current tax asset	328,197	99,812	235,723
Cash and cash equivalents	1,493,904	720,461	2,615,455
	<u>2,258,847</u>	<u>986,135</u>	<u>3,210,442</u>
Current liabilities			
Trade and other payables	(297,250)	(412,621)	(370,374)
Current portion of borrowings	(152)	(2,290)	(152)
	<u>(297,402)</u>	<u>(414,911)</u>	<u>(370,526)</u>
Net current assets	<u>1,961,445</u>	<u>571,224</u>	<u>2,839,916</u>
Net assets	<u>3,229,986</u>	<u>1,934,891</u>	<u>4,187,730</u>
Capital and reserves			
Called up share capital	6 13,735,564	11,815,085	13,713,498
Share premium reserve	18,214,502	15,434,696	18,168,965
Merger relief reserve	11,605,556	11,605,556	11,605,556
Capital reserve	209,791	209,791	209,791
Equity reserve	-	1,934,797	-
Other reserves	(9,225,108)	(9,225,108)	(9,225,108)
Retained earnings	<u>(31,310,319)</u>	<u>(29,839,926)</u>	<u>(30,284,972)</u>
Total equity	<u>3,229,986</u>	<u>1,934,891</u>	<u>4,187,730</u>

The notes on pages 9 to 11 form an integral part of these financial statements.

LOCATION SCIENCES GROUP PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019
EQUITY ATTRIBUTABLE TO THE PARENT COMPANY**

	Share capital £	Share premium £	Merger relief reserve £	Capital reserve £	Equity reserve £	Other reserves £	Retained earnings £	Total £
At 1 January 2018	11,677,628	15,189,919	11,605,556	209,791	1,934,797	(9,225,108)	(28,840,852)	2,551,731
Loss for the year	-	-	-	-	-	-	(1,046,253)	(1,046,253)
Issues of shares	137,457	274,915	-	-	-	-	47,179	459,551
Share issue costs	-	(30,138)	-	-	-	-	-	(30,138)
At 30 June 2018	11,815,085	15,434,696	11,605,556	209,791	1,934,797	(9,225,108)	(29,839,926)	1,934,891
At 1 January 2018	11,677,628	15,189,919	11,605,556	209,791	1,934,797	(9,225,108)	(28,840,852)	2,551,731
Loss in year	-	-	-	-	-	-	(1,487,534)	(1,487,534)
Issues of shares	2,035,870	2,979,046	-	-	(1,934,797)	-	-	3,080,119
Share based payments	-	-	-	-	-	-	43,414	43,414
At 31 December 2018	13,713,498	18,168,965	11,605,556	209,791	-	(9,225,108)	(30,284,972)	4,187,730
At 1 January 2019	13,713,498	18,168,965	11,605,556	209,791	-	(9,225,108)	(30,284,972)	4,187,730
Loss for the year	-	-	-	-	-	-	(1,049,503)	(1,049,503)
Issue of shares	22,066	45,537	-	-	-	-	-	67,603
Share based payments	-	-	-	-	-	-	24,156	24,156
At 30 June 2019	13,735,564	18,214,502	11,605,556	209,791	-	(9,225,108)	(31,310,319)	3,229,986

The notes on pages 9 to 11 form an integral part of these financial statements.

LOCATION SCIENCES GROUP PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2017 Audited £
Cash flows from operating activities			
Loss for the year	(1,049,503)	(1,046,253)	(1,487,534)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	232,895	216,350	454,385
Foreign exchange (gains) / losses	(7,056)	-	7,739
Finance income	(112)	(142)	(246)
Share based payment transactions	91,759	47,179	43,414
Income tax expense	(92,474)	(82,377)	(244,982)
	(824,491)	(865,243)	(1,227,224)
Working capital adjustments			
(Increase)/decrease in trade debtors	(70,426)	67,525	(133,615)
Decrease in trade creditors	(73,124)	(70,288)	(36,217)
Cash used in operations	(968,041)	(868,006)	(1,397,056)
Income taxes received	-	251,995	202,372
Net cash used in operating activities	(968,041)	(616,011)	(1,194,684)
Cash flows from investing activities			
Interest received	112	142	246
Acquisitions of tangible assets	(8,371)	(10,137)	(12,421)
Acquisition of intangible assets	(145,251)	(173,541)	(393,440)
Net cash used in investing activities	(153,510)	(183,536)	(405,615)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs	-	382,234	3,080,119
Payments to finance lease creditors	-	(2,465)	(4,604)
Net cash used in financing activities	-	379,769	3,075,515
Net (decrease)/increase in cash and cash equivalents	(1,121,551)	(419,778)	1,475,216
Cash and cash equivalents at beginning of period	2,615,455	1,140,239	1,140,239
Cash and cash equivalents at end of period	1,493,904	720,461	2,615,455

The notes on pages 9 to 11 form an integral part of these financial statements.

LOCATION SCIENCES GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

1 General information

Location Sciences Group PLC and its subsidiary Location Sciences AI Limited (together the "Group") specialise in providing two core solutions to its customers, namely: 1) Location data and insights - this is a SaaS where customers query Location Sciences UK data lake for, inter alia, advertising, location planning, attribution, competitor analysis and forward looking financial metrics; and 2) Location verification - utilising sophisticated machine learning and pattern recognition technologies Verify detects location ad-fraud and checks the accuracy and quality of location signals used to improve the performance of digital advertising.

The Company is a public limited company which is quoted on the AIM market of the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

2 Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2018, as described in those financial statements.

The figures for the six-month periods ended 30 June 2019 and 30 June 2018 have not been audited. The figures for the year ended 31 December 2018 have been extracted from, but do not constitute, the consolidated financial statements of Location Sciences Group PLC for that year. Those financial statements have been delivered to the Registrar of Companies and included an auditors' report, which was unqualified and did not contain a statement under Section 498(2) or Section 498(3) Companies Act 2006.

3 Loss per share

	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Loss attributable to shareholders	(1,049,503)	(1,046,253)	(1,487,534)
Loss attributable to shareholders excluding exceptional items	(1,049,503)	(956,919)	(1,387,733)
	No.	No.	No.
Weighted average number of shares (basic)	341,546,384	13,829,284,758	151,100,816

The calculation of basic loss per share is based on loss after taxation and the weighted average number of ordinary shares of 0.31p each in issue during the period.

LOCATION SCIENCES GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

4 Segmental analysis

Operating segments are based on internal reports about components of the Company, which are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker ("CODM") for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance.

During the first half of 2019 the Group has operated through its sole trading company, Location Sciences AI Limited. The business is purely focused on its location data and insights business model, where it sells its products to brands, media agencies and other location data users in the UK.

It should be noted that a segmental analysis of the Consolidated Statement of Financial Position is not part of routine management reporting and, consequently, no segmental analysis of assets is shown here.

An analysis of operating revenue is as follows:

	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Location data and insights	341,336	234,307	697,931
Verify	113,536	-	53,922
	<u>454,872</u>	<u>234,307</u>	<u>751,853</u>

An analysis of EBITDA is as follows:

	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Location data and insights	(682,091)	(912,423)	(1,186,464)
Verify	(226,879)	-	(91,666)
	<u>(908,970)</u>	<u>(912,423)</u>	<u>(1,278,130)</u>

An analysis of loss before tax is as follows:

	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Location data and insights	(856,483)	(1,128,631)	(1,608,262)
Verify	(285,494)	-	(124,254)
	<u>(1,141,977)</u>	<u>(1,128,631)</u>	<u>(1,732,516)</u>

LOCATION SCIENCES GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

5 Exceptional items

	Six months ended 30 June 2019 Unaudited £	Six months ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Restructuring expenses	-	(89,334)	(99,801)

6 Share capital

	30 June 2019 Unaudited £	30 June 2018 Unaudited £	31 December 2018 Audited £
343,250,994 ordinary shares of 1p each	3,432,511	1,512,032	3,410,444
1,040,712,398 deferred shares of 0.99p each	10,303,053	10,303,053	10,303,053
	<u>13,735,564</u>	<u>11,815,085</u>	<u>13,713,497</u>

Share issue

On 8 May 2019, 1,263,158 ordinary shares of 1p each were issued at 2.85p per share. to Niall Hogan a Non-Executive Director of the Company. On 7 June 2019, 943,397 ordinary shares of 1p each were issued at 3.35p per share to Donnie Williams a Non-Executive Director of the Company.

Share rights

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Deferred shares have attached to them no voting, dividend or capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Warrants in Issue

Mike Staten (formerly held by Darwin Capital Limited) holds 5,583,522 share warrants at an exercise price of 16.92 pence per share. These warrants are exercisable at 16.92 pence per share. For comparison the closing share price on 24 September 2019 was 2.8 pence per share.

7 Availability of half-year report

Copies of the half-year report are available on request from the Company's registered office at 20 Eastbourne Terrace, Paddington, London, W2 6LG and can also be viewed at:

<https://www.locationsciencesgroup.ai/investor-relations/reports-presentations/>



Location Sciences Group PLC Interim Report 2019.

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