Ubisense Group plc

Interim results for the six months ended 30 June 2016

Ubisense Group plc ("Ubisense" or the "Company") (AIM: UBI), a market leader in enterprise location intelligence solutions, announces its interim results for the six months ended 30 June 2016.

Overview	• First half revenues marginally ahead of 2015 achieved on a significantly reduced cost base • Focused on delivering operational efficiencies for our customers and expanding their deployments, whilst building a pipeline of new opportunities.
Financial highlights	• Total revenue was £10.7m (H1 2015: £10.4m) • Adjusted EBITDA* loss of £0.6m (H1 2015: £3.7m loss) • Reported operating loss of £0.8m (H1 2015: £7.3m loss) • Adjusted diluted loss per share** 1.2p (H1 2015: 19.0p loss) • Placing of new shares raised £4.8m before expenses to strengthen the balance sheet and invest in the growth of the business • Cash and cash equivalents of £5.0m and net funds of £1.0m
Operational highlights	• RTLS wins delivering growth in Japan, as well as extension orders from existing customers in other geographies • Launched new generation single sensor RTLS system, AngleID, suitable for selling through third party channels • New Geospatial myWorld utility customer contracted together with additional licence sales to existing Geospatial myWorld North American communication network operators • Extensions and incremental Geospatial services contracts won with existing long term customers

Peter Harverson, Executive Chairman, commented,

"The results for the first half show significant progress in stabilising the business on a lower cost base. Our continued investment in product development is focused on providing large scale enterprise solutions that deliver proven return on investment. Our priority now is on growing revenues with new and existing customers as well as leveraging our partner relationships."

* Measured as operating profit excluding depreciation, amortisation and non-recurring costs such as intercompany foreign exchange and reorganisation costs.
** Earnings measured as profit for the period excluding amortisation on acquired intangible assets and non-recurring costs such as acquisition and reorganisation costs.

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About Ubisense
Ubisense (AIM: UBI), a global leader in enterprise location intelligence solutions, helps businesses in sectors including manufacturing, communications and utilities to improve operational efficiency and boost profitability. Ubisense location intelligence systems bring clarity to complexity, enabling customers to revolutionise their operational effectiveness in a measurable way. Founded in 2002, Ubisense is headquartered in Cambridge, England, with offices in North America, France, Germany and Japan. For more information visit: www.ubisense.net.

Overview

In the first half of 2016, the Group traded in line with the Board's expectations in both divisions, with some revenue growth, and costs significantly below the first half of 2015. Contract wins were achieved from both new and existing customers in both divisions despite the challenging economic environment.

Strategy

The strategy of the Group is:

- Maintain and expand the significant deployments of Ubisense solutions with major enterprises in both divisions
- Develop next-generation platforms & applications that deliver strong ROI to our customers, and enable value to be realised from our intellectual property
- Use strategic partners to extend reach within our vertical markets, expand our delivery capability and enhance margin growth

Business development

In our RTLS business, considerable effort and investment in Europe and North America has resulted in Ubisense delivering large scale enterprise solutions to major manufacturing customers with global presence. The first half of 2016 has seen growth in Ubisense's newest RTLS market, Japan, together with deployment extensions in the other geographies.

Ubisense launched its AngleID product providing an easy to install single sensor RTLS solution which will suit certain applications requiring less accuracy and a lower total cost of ownership. AngleID should provide incremental RTLS revenues in 2017 with partners being key to driving volumes.

The Geospatial business delivered myWorld contract wins with our existing North American communication network operators as well as a new North American utility. Our position in the North American market continues to strengthen as customers recognize the importance of our new myWorld product releases further enabling workforce mobility, as well as the enhanced integration functionality to work with multiple GIS databases.

The Geospatial services business secured contract renewals and extensions with its largest customers who recognize the value of our long term relationship in terms of cost effective, knowledgeable and well managed delivery.

The Company continues to build its partnership activities in both divisions and across all geographies, and sees developing these partner relationships as key to the future growth of the Company.

Restructuring

Whilst the significant restructuring that commenced in 2015 is now substantially complete, we continue to closely monitor our cost base to ensure that it remains aligned to revenues.

First half results included non-recurring items of £1.5 million net profit (H1 2015: £1.9 million costs). This related to a foreign exchange gain of £1.6 million on intercompany trading balances (H1 2015: £0.4 million costs) offset by a £0.1m loss on redundancy and reorganisation costs (H1 2015: £1.5 million).

Board changes and management team

On 18 May 2016, the Company announced that Richard Green would leave the company. Peter Harverson has become executive chairman taking on responsibility for the strategy and operations of the Company. The Board is actively engaged in seeking a replacement CEO. The Company also announced the appointment of Oliver Scott as a non-executive director.

On 10 August 2016, the Company announced that Tim Gingell was confirmed in the role of Chief Financial Officer and appointed to the Board.

Operating and financial review

Orders

Customer orders in the first half of 2016 were £11.7 million (H1 2015: £8.5 million), and the order book backlog as at 30 June 2016 stood at £10.4 million (H1 2015: £9.4 million).

Revenue

The Company has been reorganized into two separate business divisions RTLS and Geospatial which are based on the Company's Smart Factory and myWorld product suites respectively. Each division provides software solutions and services to enterprise customers.

In the first half of 2016, total revenues were £10.7 million (H1 2015: £10.4 million). RTLS revenue was £2.7 million (H1 2015: £2.9 million). Geospatial revenue was £8.0 million (H1 2015: £7.5 million).

As an international business with activities focused in Europe, the Americas and Asia Pacific, the reported results are subject to exchange rate volatility. At the end of the period, following the Brexit vote, sterling weakened against the US dollar, Euro and Japanese Yen currencies in which the Company derives the majority of its revenues. If currency exchange rates had remained constant in H1 2016 compared to H1 2015, the Company estimates that reported revenues would have been £0.4 million lower.

To mitigate the impact of exchange rate volatility, the Company's policy is to maintain natural hedges where possible by matching foreign currency revenues and expenditure. The Board reviews the forecast currency requirements and, at this stage, does not consider external hedging arrangements for profit and loss items to be appropriate for the Company.

Gross margin

The overall gross margin increased by 10 percentage points to 41% (H1 2015: 31%) following the restructuring and refocus of the Company in 2015. Gross margin is significantly impacted by the revenue mix between product, maintenance and support, and services work, which is in turn dependent on the type and delivery stage of a particular contract.

For the RTLS division, the gross margin increased to 41% (H1 2015 20%), whilst for the Geospatial division the gross margin increased to 40% (H1 2015 38%).

Operating expenses

Operating expenses decreased to £5.1 million (H1 2015: £10.5 million) and included £1.5 million non-recurring income (H1 2015: £1.9 million costs). The reduction in operating expenses demonstrates the ongoing cost run-rate impact of the 2015 restructuring of the business together with a £1.6 million gain relating to foreign exchange on unrealized intercompany trading balances. Operating expenses include sales and marketing, product marketing, product development, general and administration, foreign exchange and exceptional costs.

Other operating expenses (which excludes depreciation, amortisation and non-recurring costs) decreased to £5.0m (H1 2015: £6.9m, H2 2015: £6.0m).

Gross expenditure on product development was £0.9 million (H1 2015: £1.4 million) reflecting continued investment in our flagship Smart Factory and myWorld products. Capitalised product development costs of £0.9 million (H1 2015: £1.2 million) represented 93% (H1 2015: 86 %) of gross development spend whilst amortisation of the capitalised development costs was £1.34 million (H1 2015: £1.3million).

EBITDA and operating profit

The Company made an adjusted EBITDA loss for the period of £0.6 million (H1 2015: £3.7 million loss) excluding non-recurring items. The operating loss for the period was £0.8 million (H1 2015: £7.3 million loss) and loss before tax for the period was £0.9 million (H1 2015: £7.5 million loss). The operating loss and loss before tax includes amortisation and depreciation charges of £1.6 million (H1 2015: £1.7 million).

Operating and financial review (continued)

Interest and tax

Net interest payable for the period was £146,000 (H1 2015: £192,000).

The Company has a net tax credit of £112,000 (H1 2015: £44,000 net credit), primarily as a result of non-cash deferred tax on capitalised development costs and acquired intangible assets. Management's best estimate of the effective current tax rate in all other group companies is nil due to the availability of prior years' losses.

EPS and dividends

Adjusted diluted loss per share was 1.2 pence (H1 2015: 19.0 pence loss). Reported basic and diluted loss per share was 1.8 pence (H1 2015: 27.3 pence loss). The Board does not feel it appropriate at this time to commence paying dividends.

Balance sheet, cash and cash flow

The Company's balance sheet has shareholder funds at 30 June 2016 of £15.3 million (31 December 2015: £11.9 million), having raised £4.5 million net in April 2016 through a placing of 19,230,000 shares in the Company.

As at 30 June 2016, the Company had a three year working capital facility with HSBC bank of £8.0 million (31 December 2015: £8.0 million) of which £4.0 million was drawn down (31 December 2015: £4.5 million). HSBC confirmed to the Company that it waived its right to take action in relation to certain notified covenant defaults that existed at 31 December 2015 and 31 March 2016. There have been no further covenant defaults since these dates. The Company has agreed the outline terms of a 5 year repayment loan with HSBC bank which will replace the existing working capital facility.

The 200 million Japanese Yen (JPY) denominated loan (£1.3 million) with Mizuho Bank was repaid in March 2016.

Cash held on the balance sheet at 30 June 2016 was £5.0 million (31 December 2015: £5.4 million) and net funds at 30 June 2016 were £1.0 million (31 December 2015: £1.2 million net debt).

The main components of the cash movements in the first six months of 2016 included net receipts of £4.5 million from a placing to institutional shareholders (H1 2015: £9.6 million); the net repayment of bank loans of £1.8 million (H1 2015: £1.5 million drawdown); outflows of £0.9 million (H1 2015: £1.3 million) for capital investment in product development and plant and equipment; and an operating cash outflow of £2.6 million (H1 2015: £3.5 million outflow) of which £1.9 million outflow is working capital related (£0.8 million related to non-recurring costs accrued in 2015).

Capital structure

The issued share capital at 30 June 2016 was 55,883,154 (31 December 2015: 36,620,247) ordinary shares of £0.02 each. The increase of 19,262,907 shares relates to 19,230,000 shares issued in the April 2016 placing and 32,907 share option exercises by employees. No share options were granted to employees in the period, and the total number of unexercised share options at 30 June 2016 was 1,150,448.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. With the exception of general risks arising from the UK EU Referendum result, to which the Company is exposed in a similar way to other exporters, the key risks that could affect the Company's performance, and the factors which mitigate these risks, have not significantly changed from those set out on pages 25 to 27 of the Company's Annual Report for 2015 (a copy of which is available from our website **www.ubisense.net**).

Current trading and outlook

The Company separation of the Group's activities into two distinct operating units has enabled the Board to develop clearer strategies for each division. Although we have reduced the Group's cost base, we continue to invest in next-generation platforms and applications that deliver strong ROI to our customers. Our priority now is to expand the number and size of deployments of Ubisense solutions with major enterprise customers in both divisions. We are also developing our channel partner relationships to extend reach within our vertical markets, expand our delivery capability and enhance margin growth. The Company is on track to deliver full year results in line with the Board's expectations.

Interim income statement

For the six months ended 30 June 2016

	Notes	6 months to 30 June 2016 unaudited £'000	6 months to 30 June 2015 unaudited £'000	12 months to 31 December 2015 audited £'000
Revenues	4.1	**10,674**	**10,357**	**21,982**
Cost of revenues		**(6,344)**	(7,133)	(14,290)
Gross profit		**4,330**	**3,224**	**7,692**
Operating expenses		**(5,081)**	(10,541)	(24,671)
Operating loss		**(751)**	**(7,317)**	**(16,979)**
Analysed as:				
Gross profit		**4,330**	**3,224**	**7,692**
Other operating expenses		**(4,967)**	(6,910)	(12,914)
Adjusted EBITDA		**(637)**	**(3,686)**	**(5,222)**
Depreciation		**(175)**	(204)	(388)
Amortisation of acquired intangible assets		**(91)**	(156)	(309)
Amortisation of other intangible assets		**(1,378)**	(1,343)	(6,985)
Non-recurring items	5	**1,530**	(1,928)	(4,075)
Operating loss		**(751)**	**(7,317)**	**(16,979)**
Net finance costs		**(146)**	(192)	(289)
Loss before tax		**(897)**	**(7,509)**	**(17,268)**
Income tax		**112**	44	632
Loss for the period		**(785)**	**(7,465)**	**(16,636)**
Loss attributable to:				
Equity shareholders of the Company		**(778)**	(7,330)	(16,569)
Non-controlling interest		**(7)**	(135)	(67)
Loss per share attributable to equity shareholders of the parent (pence)				
Basic	6	**(1.8)**	(27.3)	(52.3)
Diluted	6	**(1.8)**	(27.3)	(52.3)

The notes 1 to 10 are an integral part of these condensed interim financial statements.

Interim statement of comprehensive income

For the six months ended 30 June 2016

	6 months to 30 June 2016 unaudited £'000	6 months to 30 June 2015 unaudited £'000	12 months to 31 December 2015 audited £'000
Loss for the period	**(785)**	**(7,465)**	(16,636)
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	**(378)**	**29**	139
Total comprehensive income for the period	**(1,163)**	**(7,436)**	(16,497)

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Interim statement of changes in equity

For the six months ended 30 June 2016

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Subtotal £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2015 (audited)	**501**	**28,051**	**821**	**(685)**	**(10,427)**	**18,261**	**530**	**18,791**
Loss for the period	-	-	-	-	(7,330)	(7,330)	(135)	**(7,465)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	58	-	58	(29)	**29**
Total comprehensive income for the period	-	-	-	58	(7,330)	(7,272)	(164)	**(7,436)**
Reserve credit for equity-settled share-based payment	-	-	33	-	-	33	-	**33**
Issue of new share capital	225	-	-	-	-	225	-	**225**
Premium on new share capital	-	9,806	-	-	-	9,806	-	**9,806**
Share issue costs	-	(448)				(448)		**(448)**
Transactions with owners	225	9,358	33	-	-	9,616	-	**9,616**
Balance at 30 June 2015 (unaudited)	**726**	**37,409**	**854**	**(627)**	**(17,757)**	**20,605**	**366**	**20,971**
Loss for the period	-	-	-	-	(9,239)	(9,239)	68	**(9,171)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	88	-	88	22	**110**
Total comprehensive income for the period	-	-	-	88	(9,239)	(9,151)	90	**(9,061)**
Reserve credit for equity-settled share-based payment	-	-	21	-	-	21	-	**21**
Issue of new share capital	6	-				6		**6**
Premium on new share capital	-	39	-	-	-	39	-	**39**
Share issue costs	-	(26)				(26)		**(26)**
Transactions with owners	6	13	21	-	-	40	-	**40**
Balance at 31 December 2015	**732**	**37,422**	**875**	**(539)**	**(26,996)**	**11,494**	**456**	**11,950**
Loss for the period	-	-	-	-	(778)	(778)	(7)	(785)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	(469)	-	(469)	91	(378)
Total comprehensive income for the period	-	-	-	(469)	(778)	(1,247)	84	(1,163)
Reserve credit for equity-settled share-based payment	-	-	43	-	-	43	-	**43**
Issue of new share capital	386	-	-	-	-	386	-	**386**
Premium on new share capital	-	4,427	-	-	-	4,427	-	**4,427**
Share issue costs	-	(295)	-	-	-	(295)	-	**(295)**
Transactions with owners	386	4,132	43	-	-	4,561	-	**4,561**
Balance at 30 June 2016 (unaudited)	**1,118**	**41,554**	**918**	**(1,008)**	**(27,774)**	**14,808**	**540**	**15,348**

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Interim statement of financial position

At 30 June 2016

	Notes	At 30 June 2016 unaudited £'000	At 30 June 2015 unaudited £'000	At 31 December 2015 audited £'000
Assets				
Non-current assets				
Intangible assets	7	**10,113**	13,872	9,786
Property, plant and equipment		**871**	1,064	943
Total non-current assets		**10,984**	14,936	10,729
Current assets				
Inventories		**2,703**	2,509	2,815
Trade and other receivables		**8,946**	10,123	9,277
Cash and cash equivalents		**5,049**	7,806	5,392
Total current assets		**16,698**	20,438	17,484
Total assets		**27,682**	35,374	28,213
Liabilities				
Current liabilities				
Bank loans	10	**-**	(829)	(1,123)
Trade and other payables		**(6,420)**	(7,217)	(8,629)
Total current liabilities		**(6,420)**	(8,046)	(9,752)
Non-current liabilities				
Deferred tax liability		**(1,146)**	(1,191)	(1,157)
Bank loans	10	**(4,000)**	(4,500)	(4,500)
Other liabilities	9	**(768)**	(666)	(854)
Total non-current liabilities		**(5,914)**	(6,357)	(6,511)
Total liabilities		**(12,334)**	(14,403)	(16,263)
Net assets		**15,348**	**20,971**	**11,950**
Equity				
Equity attributable to owners of the parent company				
Share capital	8	**1,118**	726	732
Share premium		**41,554**	37,409	37,422
Share based payment reserve		**918**	854	875
Translation reserve		**(1,008)**	(627)	(539)
Retained earnings		**(27,774)**	(17,757)	(26,996)
Equity attributable to owners of the parent company		**14,808**	(20,605)	11,494
Non-controlling interests		**540**	366	456
Total equity		**15,348**	**20,971**	**11,950**

The notes 1 to 10 are an integral part of these condensed interim financial statements.

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Interim statement of cash flows

For the six months ended 30 June 2016

	6 months to 30 June 2016 unaudited £'000	6 months to 30 June 2015 unaudited £'000	12 months to 31 December 2015 audited £'000
Loss before tax	**(897)**	**(7,509)**	**(17,268)**
Adjustments for:			
Depreciation	**175**	204	388
Amortisation	**1,469**	1,499	7,294
Loss on disposal of property, plant and equipment	**10**	-	-
Share-based payment charge	**27**	33	54
Non-cash non-recurring items	**(1,651)**	602	-
Finance income	**(26)**	(12)	(12)
Finance costs	**172**	204	301
Operating cash flows before working capital movements	**(721)**	(4,979)	(9,243)
Change in inventories	**112**	(231)	66
Change in receivables	**331**	5,365	6,264
Change in payables	**(2,295)**	(2,536)	(1,010)
Cash used in operations before tax	**(2,573)**	(2,381)	(3,923)
Net income taxes received/(paid)	**3**	(1)	436
Net cash flows from operating activities	**(2,570)**	(2,382)	(3,487)
Cash flows from investing activities			
Disposal of subsidiaries, net of cash disposed	**-**	-	(3)
Purchases of property, plant and equipment	**(36)**	(99)	(196)
Proceeds on disposal of property, plant and equipment	**-**	-	4
Expenditure on intangible assets	**(873)**	(1,154)	(2,652)
Interest received	**26**	12	12
Net cash flows from investing activities	**(883)**	(1,241)	(2,835)
Cash flows from financing activities			
Proceeds of borrowings	**-**	4,500	522
Repayment of borrowings	**(1,623)**	(6,000)	(2,000)
Interest paid	**(172)**	(191)	(277)
Proceeds from the issue of share capital	**4,517**	9,582	9,602
Net cash flows from financing activities	**2,722**	7,891	7,847
Net increase in cash and cash equivalents	**(731)**	4,268	1,525
Cash and cash equivalents at start of period	**5,392**	3,697	3,697
Exchange differences on cash and cash equivalents	**388**	(159)	170
Cash and cash equivalents at end of period	**5,049**	7,806	5,392

1 General information

Ubisense Group plc ('the Company') and its subsidiaries (together, 'the Group') deliver mission-critical location-based smart technology which enables companies to optimise their business processes.

The Group has operations in the UK, USA, Canada, France, Germany and Japan, selling mainly to customers in the Americas, Europe and Asia Pacific.

The Company is a public limited company which is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange (UBI) and is incorporated and domiciled in the UK. The address of its registered office is St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge, CB4 1DL.

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 15 August 2016.

The condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 6 April 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

2 Basis of preparation

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group and are prepared in accordance with IFRSs as adopted by the European Union.

Going concern basis

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 its condensed consolidated interim financial statements.

3 Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are unchanged from those set out in the Group's consolidated financial statements for the year ended 31 December 2015. These policies have been consistently applied to all the periods presented.

The operations of the Group display a degree of seasonality with stronger performance typically seen in the second half of the year. This is due to customers' budgetary cycles and the capital nature of the products sold by the Group.

4 Segmental information

Management has determined the operating segments to be the group's Divisions based on the information reported to the Chief Operating Decision Maker (CODM) for the purpose of assessing performance and allocating resources. The CODM is the Executive Chairman.

The Real-Time Locations Systems (RTLS) Division takes real-time location date from Ubisense's own sensing hardware, or from standards-based integration with third party hardware, and transforms this data into high value spatial event information, delivering highly reliable, automatic, adaptive asset identification, precise real-time location and spatial monitoring to offer meaningful insights that help businesses make smarter decisions.

The Geospatial division delivers software solutions that integrates 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.

Each operating segment is managed separately by a business unit leader as each deal with different technologies and predominately separate customer bases. The performance of the operating segments is assessed on a measure of contribution, being gross profit less sales and business unit marketing expenditure. Assets and liabilities are not presented to the CODM on a divisional basis.

Costs incurred centrally or not directly attributable to either the RTLS or Geospatial division are reported in the Central division. The results of each segment are prepared using accounting policies consistent with those of the Group as a whole. No intra-segmental transactions are reported.

6 months ended 30 June 2016	RTLS £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	**2,654**	**7,973**	**47**	**10,674**
Cost of sales	(1,553)	(4,782)	(9)	(6,344)
Gross profit	**1,101**	**3,191**	**38**	**4,330**
Other administrative expenses	(1,503)	(840)	(2,624)	(4,967)
Adjusted EBITDA	**(402)**	**2,351**	**(2,586)**	**(637)**
Amortisation			(1,469)	(1,469)
Depreciation			(175)	(175)
Non-recurring items			1,530	1,530
Operating loss			**(2,700)**	**(751)**
Finance income			26	26
Finance costs			(172)	(172)
Loss before tax			**(2,846)**	**(897)**

4 Segmental information (continued)

6 months ended 30 June 2015	RTLS £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	**2,851**	**7,462**	**44**	**10,357**
Cost of sales	(2,293)	(4,640)	(200)	(7,133)
Gross profit	**559**	**2,821**	**(156)**	**3,224**
Other administrative expenses	(2,444)	(1,358)	(3,108)	(6,910)
Adjusted EBITDA	**(1,885)**	**1,463**	**(3,264)**	**(3,686)**
Amortisation			(1,499)	(1,499)
Depreciation			(204)	(204)
Non-recurring items			(1,928)	(1,928)
Operating loss			**(6,895)**	**(7,317)**
Finance income			12	12
Finance costs			(204)	(204)
Loss before tax			**(7,087)**	**(7,509)**

12 months ended 31 December 2015	RTLS £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	**6,445**	**15,458**	**79**	**21,982**
Cost of sales	(3,694)	(10,544)	(51)	(14,290)
Gross profit	**2,751**	**4,913**	**28**	**7,692**
Other administrative expenses	(2,810)	(1,800)	(8,304)	(12,914)
Adjusted EBITDA	**(59)**	**3,113**	**(8,276)**	**(5,222)**
Amortisation			(7,294)	(7,294)
Depreciation			(388)	(388)
Non-recurring items			(4,075)	(4,075)
Operating loss			**(20,033)**	**(16,979)**
Finance income			12	12
Finance costs			(301)	(301)
Loss before tax			**(20,322)**	**(17,268)**

4.1 Revenue by geography

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.

	6 months to 30 June 2016 unaudited £'000	6 months to 30 June 2015 unaudited £'000	12 months to 31 December 2015 audited £'000
United Kingdom	**217**	196	487
Germany	**1,215**	1,283	3,074
France	**257**	234	616
Spain	**247**	28	212
Europe other	**191**	92	368
USA	**5,613**	5,867	12,131
Canada	**833**	809	1,423
Japan	**2,085**	1,718	3,330
Asia Pacific other	**5**	130	337
Rest of World	**11**	-	4
Total revenues	**10,674**	10,357	21,982

5 Non-recurring items

During the period, the Group recognized non-recurring items of £1,530,000 with £1,651,000 relating to unrealised foreign exchange gains on intercompany trading balances and £121,000 for reorganisation costs mainly comprising redundancy payments.

During 2015, the Group incurred non-recurring items of £4,075,000. £1,928,000 was incurred in H1 2015 relating to unrealized foreign exchange losses on intercompany trading balances £393,000, redundancy and reorganisation costs totaling £1,535,000. £2,147,000 was incurred in H2 2015 mainly relating to reorganisation costs.

6 Earnings per share

	6 months to 30 June 2016 unaudited	6 months to 30 June 2015 Unaudited	12 months to 31 December 2015 Audited
Earnings			
Loss for the period (£'000)	**(778)**	(7,330)	(16,569)
Loss for the purposes of diluted earnings per share (£'000)	**(778)**	**(7,330)**	**(16,569)**
Number of shares			
Basic weighted average number of shares ('000)	**43,529**	26,850	31,657
Effect of dilutive potential ordinary shares:			
- Share options ('000)	**225**	639	418
Diluted weighted average number of shares ('000)	**43,754**	27,489	32,075
Basic loss per share (pence)	**(1.8)**	(27.3)	(52.3)
Diluted loss per share (pence)	**(1.8)**	(27.3)	(52.3)

Basic earnings per share is calculated by dividing profit 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 dilutive share options. Options have no dilutive effect in loss-making years, and hence the diluted loss per share for the periods ended 30 June 2016 and 2015 and 31 December 2015 is the same as the basic loss per share.

The Group also presents an adjusted diluted earnings per share figure which excludes amortisation on acquired intangible assets, share-based payments charge and non-recurring expenditure such as reorganisation costs from the measurement of profit for the period.

Adjusted diluted earnings per share	6 months to 30 June 2016 unaudited	6 months to 30 June 2015 unaudited	12 months to 31 December 2015 audited
Loss for the purposes of diluted earnings per share (£'000)	**(778)**	(7,330)	(16,569)
Adjustments			
Reversal of amortisation on acquired intangible assets (£'000)	**91**	156	309
Impairment of goodwill and acquired intangible assets (£'000)	**-**	-	4,043
Reversal of share-based payments charge (£'000)	**43**	33	54
Reversal of exceptional items (£'000)	**121**	1,928	4,075
Net adjustments (£'000)	**255**	2,117	8,481
Adjusted earnings (£'000)	**(523)**	(5,213)	(8,088)
Adjusted diluted loss per share (pence)	**(1.2)**	(19.0)	(25.2)

7 Intangible assets

Net book amount	At 30 June 2016 unaudited £'000	At 30 June 2015 unaudited £'000	At 31 December 2015 audited £'000
Goodwill	**4,891**	8,155	4,271
Capitalised product development costs	**3,604**	4,045	3,980
Software	**443**	604	539
Acquired software products	**75**	162	114
Acquired customer relationships and backlog	**1,100**	906	882
Total other intangible assets	**10,113**	13,872	9,786

8 Share capital

Allotted, called-up and fully paid	At 30 June 2016 unaudited £'000	At 30 June 2015 unaudited £'000	At 31 December 2015 audited £'000
Ordinary shares of £0.02 each	**1,118**	726	732

Movement in number of shares	At 30 June 2016 unaudited £'000	At 30 June 2015 unaudited £'000	At 31 December 2015 audited £'000
Number of shares at beginning of period	**36,620,247**	25,062,842	25,062,842
Issued under placing	**19,230,000**	11,111,112	11,111,112
Issued under share-based payment plans	**32,907**	121,981	446,293
Change in number of shares in period	**19,262,907**	11,233,093	11,557,405
Number of shares at end of period	**55,883,154**	36,295,935	36,620,247

Share capital movements

During the period, the Company issued 19,262,907 shares, increasing the total number of shares in issue from 36,620,247 to 55,883,154 as follows:

- 19,230,000 shares at £0.25 per share for a total gross cash consideration of £4,807,500, with share issue costs of £295,000 written off against the share premium account; and
- 32,907 share options exercised with an exercise price of £0.14 per share for total cash consideration of £4,607.

9 Interest in subsidiaries

Contingent consideration

The consideration to acquire the Geoplan group in December 2013 included cash, issue of Ubisense shares, deferred consideration and contingent consideration. The deferred consideration was paid in full in January 2014.

Under the contingent cash consideration arrangement, the Group is required to pay additional amounts to vendors based on the achievement of two separate performance milestones that may arise between 2014 and 2017 with combined undiscounted range of outcomes between nil and 149 million Japanese Yen (JPY) (£nil to £892,000).

At acquisition, the fair value of the contingent consideration was 136 million JPY (£816,000) being management's best estimate of the probability-adjusted estimated discounted future cashflows. The discount rate used is 3.5%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The fair value amount recognised for this arrangement is revised based on the most recent management estimates and, as the liability is denominated in JPY, it is subject to the impact of exchange rates.

At 30 June 2016, the contingent consideration payable is £580,000 and is included in other non-current liabilities.

10 Bank loans

In June 2015, the Group renewed its working capital loan facilities and repaid its acquisition bank loan. As at 30 June 2016, the Group had an £8.0 million bank loan facility agreed with HSBC Bank Plc to provide working capital for the Group. This loan is repayable in full in June 2018 by Ubisense Ltd, is secured on the fixed and floating assets of the Group and attracts an interest charge of LIBOR + 3%. As at 30 June 2016, £4.0 million of the £8.0 million facility was drawn down and is subject to certain operating and net worth covenants of the business, being:

- Total senior debt (net of cash balances) not exceeding 2x Adjusted EBITDA;
- Interest charges and repayments of principal due in the next 12 months in respect of borrowings whose original stated term to maturity exceed 12 months not exceeding 3x Adjusted EBITDA; and
- Total senior debt (net of cash balances) not exceeding 2.5x the aggregate of trade debtors (net of provisions) and work-in-progress (Amounts recoverable on contracts).

As at 15 August 2016 the Group is finalising a new repayment loan facility for £4.0 million with HSBC Bank Plc and will repay the outstanding balance on the existing £8.0 million facility. In line with the previous agreement, the new loan will be secured on the fixed and floating assets of the Group and attracts an interest charge of LIBOR + 3%. Repayments of the loan by Ubisense Ltd are set at £0.75 million per annum on 31 December. The loan is subject to an operating covenant linked to "operating cashflow" performance (profit or loss before tax adding back any non-recurring items, finance costs, foreign exchange costs, depreciation, amortization or capitalization of product development) as follows: 2016 £2.25 million negative, 2017 £nil, 2018 and beyond £1 million positive.

The Group repaid a six month loan facility of 200 million Japanese Yen (JPY) in March 2016.

Independent review report to Ubisense Group plc

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 June 2016 which comprises the interim income statement, interim statement of comprehensive income, interim statement of changes in equity, interim statement of financial position, interim statement of cash flows and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 2.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Grant Thornton UK LLP

Chartered Accountants

Registered Auditor

Cambridge

15 August 2016