Highlights

Ubisense Group plc

Interim results for the six months ended 30 June 2012

Ubisense Group plc ("Ubisense" or the "Company") (LSE: UBI), a market leader in location based smart technology, has announced its interim results for the six months ended 30 June 2012.

Financial highlights

- Revenue increased 6.2% to £12.0m (H1 2011: £11.3m) and 12.8% excluding one-off 2011 pass through revenues of £0.7m
- RTLS revenues grew 18.7% after pass through (9.5% reported)
- Geospatial revenues grew 9.8% after pass through (4.3% reported)
- Improved gross margin of 34.7% (H1 2011: 31.7%)
- Adjusted EBITDA* loss of £0.2m (H1 2011: £0.4m profit) reflecting investment in product development and marketing
- Reported operating loss of £0.8m (H1 2011: £0.1m loss)
- Adjusted diluted loss per share** 3.1p (H1 2011: 0.4p profit)
- Net cash of £3.3m

Operational highlights

- 4 new key contract wins including a major strategic win at AGCO
- 6 key follow on orders, including from Airbus and BMW
- Expansion of Atlas Copco pilot programme with major manufacturers
- Increased investment in applications development in both divisions
- Double Queen's Award winner for Innovation and International Trade

Richard Green, Chief Executive, commented,

"The Group has had a good first six months of 2012. The number of opportunities in high value manufacturing for the RTLS business continues to increase and we are seeing a significant acceleration in activity through our relationship with Atlas Copco. Given our robust pipeline and the momentum we see, we remain confident in the long term prospects for the business."

* Measured as operating profit excluding depreciation, amortisation, share-based payments charge and non-recurring costs such as AIM listing expenses and acquisition costs.
** Earnings measured as profit for the period excluding amortisation on acquired intangible assets, share-based payments charge and non-recurring costs such as AIM listing expenses and acquisition costs.

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About Ubisense

Ubisense is a market leader in location based smart technology which enables companies to optimise their business processes. By keeping track of key assets, Ubisense solutions bring clarity to complex operations in industries while also improving quality and reliability.

Ubisense uses a unique combination of advanced industry knowledge and an experienced team to deliver effective and superior solutions that offer unprecedented visibility, control and accuracy, delivering time and cost savings. Ubisense solutions are easy to implement and flexible to a particular business' needs, no matter which area of the globe they operate in.

Ubisense offers two location-oriented products, RTLS (Real-Time Location Systems) and Geospatial Solutions, which operate in a number of industries ranging from manufacturing and utilities to telecommunications and is used by a number of blue chip customers across the world, including Airbus, Aston Martin, BMW, Cummins, Deutsche Telekom and Duke Energy.

Ubisense is headquartered in Cambridge, UK, with offices in the USA, Canada, France, Germany, Korea and Singapore. For more information visit: www.ubisense.net.

Interim management report

Overview

In a challenging macroeconomic environment, Ubisense increased revenues by 6.2% to £12.0 million in the first half of 2012 (H1 2011: £11.3 million). The revenue growth is 12.8% after excluding one-off nil margin revenues totalling £0.7 million where third party products and services were provided to customers on a pass-through basis in the first half of 2011. Weakness in the Euro had a negative impact on the consolidated result, lowering the year on year growth by around 3.4%.

As reported in July, the Company experienced short-term delays with a small number of orders in the North American market during the latter stages of H1. In some cases, the delays were a result of longer negotiation processes due to a widening in the scope of contracts. It is pleasing to report that since the period end the majority of these orders have been received.

During the period, Ubisense has continued to invest significantly in its long-term strategy through product innovation, marketing, recruitment and strategic partner programmes. Total headcount at 30 June 2012 was 186 (June 2011: 132; December 2011: 172).

As a result of these continued investments, our Adjusted EBITDA for the period was a loss of £0.2 million compared to a profit of £0.4 million for the same period in 2011. The Board views RTLS revenue growth and Adjusted EBITDA as the most appropriate measures of underlying trading performance.

Strategy

The opportunities for Ubisense continue to be significant and the Group continues to grow in an agile and prudent way. The Board's focus is on growing the business by extending our presence in priority G7 markets, particularly in the key Asian markets of Korea and Japan, and to capture new customers through new strategic partnerships, similar to our partnership with Atlas Copco. Our aim is to create long lasting customer relationships with major global businesses in high value markets.

The Board continues to evaluate suitable acquisition opportunities in this area to enhance its product offering and customer base.

The RTLS division continues to expand its presence in the manufacturing industry, through the EADS Group, the automotive OEMs and other large international groups such as AGCO. Ubisense's RTLS solutions also have the potential to be used extensively in a number of different industries, for example through a strategic partnership with S3-ID selling to Agip in the Oil & Gas sector.

The Geospatial division has the opportunity to establish a leadership position in the Geospatial industry through accretive investment in new geographic territories and complementary intellectual property.

Operating and financial review

RTLS

RTLS's revenues increased by 9.5% to £4.3 million (H1: 2011: £3.9 million). Excluding pass-through revenues in the first half of 2011 of £0.3 million, the growth was 18.7%. The high gross margins on RTLS revenue remained steady at 49.5% (H1 2011: 49.8%).

Adjusted EBITDA was marginally up at £65,000 (H1 2011: £45,000). The RTLS division continued to invest in the Atlas Copco relationship who importantly accelerated the support of their pilot programme, which is now running across many organisations including five of the largest car manufacturers in the world. Since the period end, and as announced separately today, this momentum has continued with significant first orders from two major automotive OEMs. Headcount increases in our sales and delivery teams, as well as our R&D team to expand our range of RTLS applications, resulted in headcount reaching 71 at the end of June 2012 (H1 2011: 63).

Geospatial

Geospatial revenues increased by 4.3% to £7.7 million (H1 2011: £7.4 million). Excluding pass-through revenues in the first half of 2011 of £0.4 million, growth was 9.8% driven by the InMaps and Realworld acquisitions made in the second half of 2011. Gross margins improved to 26.6% (H1 2011: 22.2%) as a result of some higher margin product sales and a reduction in the number of contractors being used in the business.

Adjusted EBITDA was stable at £1.3 million (H1 2011: £1.3 million) with the increased gross profit being offset by increased R&D and pre-sales expense, as well as costs associated with the integration of the two acquisitions made in the last quarter of 2011. Total Geospatial headcount was 95 (H1 2011: 57), 28 of the increase since last year relates to the acquisitions. We are pleased that both acquisitions, Realworld (now Geospatial Systems Limited) and InMaps (now merged into Ubisense Inc), are performing in line with expectations.

Central

Central corporate costs were £1.6 million (H1 2011: £1.0 million) resulting in an overall EBITDA loss of £0.2 million. Included in that increase was a net foreign exchange loss of £0.1 million (H1 2011: £0.1 million gain). The underlying increase in central corporate costs was due to an increase in headcount (20 compared to 12 at the same time last year), marketing and costs relating to being a listed company.

Group operating profit and profit after tax

The operating loss for the period was £0.8 million (H1 2011: £0.1 million) including amortisation and depreciation charges of £0.6 million (H1 2011: £0.2 million) as a result of amortisation on the intangible assets acquired with Realworld and InMaps in the second half of 2011 and increased amortisation charges on capitalised development costs as investment in R&D increases.

Net interest receivable for the period was £14,000 (H1 2011: £172,000 expense) with interest expense being virtually eliminated following the conversion of the Convertible Loans and repayment of the bank loan at the time of the IPO in June 2011. Surplus cash is invested with the primary aim of capital maintenance; the Company's treasury policy includes strict counterparty limits and only with counterparties with high credit ratings.

Reported loss before tax was £0.8 million (H1 2011: £0.3 million loss).

Operating and financial review (continued)

The Group has a net tax expense of £46,000, almost entirely a result of deferred tax on capitalised development costs and acquired intangible assets. In the period ended June 2011, we had a net tax credit of £66,000 which included a current tax credit of £95,000 in respect of R&D tax credits. We account for R&D tax credits on prudent cash received basis and expect to receive a similar credit in the second half of this year. Excluding the R&D tax credits receipt, management's best estimate of the effective current tax rate is nil due to the availability of prior years losses.

EPS and dividend

Adjusted diluted loss per share was 3.1 pence (H1 2011: 0.4 pence profit). Reported basic and diluted loss per share was 4.0 pence (H1 2011: 1.6 pence loss).

The Board do not feel it appropriate at this time to pay an interim dividend. The cash balance held on the balance sheet will be used to fund growth, R&D and potential acquisitions in line with the strategy set out when listing on AIM in June 2011.

Balance sheet and cash

The Group has a robust balance sheet with Shareholder Funds at 30 June 2012 of £18.4 million (31 December 2011: £19.2 million), including net cash of £3.3 million (31 December 2011: £6.0 million) and no debt.

The main components to the cash movements in the first six months of 2012 include operating cash outflow of £1.5 million (H1 2011: £2.9 million outflow), capital investment in product development and plant and equipment of £1.0 million (H1 2011: £0.5 million) and contingent consideration paid of £0.2 million in respect of the Realworld acquisition made in October 2011.

Capital structure

The issued share capital at 30 June 2012 was 21,801,967 (December 2011: 21,657,698) ordinary shares of £0.02 each. The increase of 144,269 shares relates entirely to share option exercises by employees. In addition, 347,000 share options were granted to employees on 29 June 2012 at an exercise price of £2.125, being the share price at the time. The total number of unexercised share options at 30 June 2012 was 2,093,720.

Current trading and outlook

Ubisense enters the second half of 2012 with increasing momentum in the business. With a strong order book and robust pipeline, improved financial performance is anticipated in the second half of 2012. We continue to expect revenue growth year-on-year and profits similar to 2011.

Interim income statement

For the six months ended 30 June 2012

	Notes	Six months to 30 June 2012 unaudited £'000	Six months to 30 June 2011 unaudited £'000	12 months to 31 December 2011 audited £'000
Revenue	6	**11,950**	11,255	23,785
Cost of sales		**(7,799)**	(7,684)	(15,308)
Gross profit		**4,151**	3,571	8,477
Administrative expenses		**(4,995)**	(3,719)	(8,188)
Operating (loss)/profit	6	**(844)**	(148)	289
Analysed as:				
Gross profit		**4,151**	3,571	8,477
Other administrative expenses		**(4,377)**	(3,156)	(7,029)
Adjusted EBITDA		**(226)**	415	1,448
Depreciation		**(100)**	(60)	(140)
Amortisation of acquired intangible assets		**(128)**	-	(112)
Amortisation of other intangible assets		**(369)**	(171)	(512)
Share-based payments charge		**(21)**	(8)	(24)
AIM listing expenses		**-**	(324)	(324)
Acquisition costs		**-**	-	(47)
Operating (loss)/profit	6	**(844)**	(148)	289
Finance income	7	**15**	8	37
Finance costs	7	**(1)**	(180)	(185)
(Loss)/profit before tax		**(830)**	(320)	141
Income tax	8	**(46)**	66	(107)
(Loss)/profit for the period attributable to the equity shareholders of the Company		**(876)**	(254)	34

Earnings per share (pence)				
Basic	9	**(4.0p)**	(1.6p)	0.2p
Diluted	9	**(4.0p)**	(1.6p)	0.2p

The notes 1 to 17 are an integral part of these condensed interim financial statements.

Interim statement of comprehensive income

For the six months ended 30 June 2012

	Six months to 30 June 2012 unaudited £'000	Six months to 30 June 2011 unaudited £'000	12 months to 31 December 2011 audited £'000
(Loss)/profit for the period	**(876)**	(254)	34
Other comprehensive income:			
Exchange difference on retranslation of net assets and results of overseas subsidiaries	**(30)**	66	14
Total comprehensive income attributable to equity shareholders of the Company	**(906)**	(188)	48

The notes 1 to 17 are an integral part of these condensed interim financial statements.

Interim statement of changes in equity

For the six months ended 30 June 2012

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2012 (audited)	433	22,031	510	(3,736)	19,238
Loss for the period	-	-	-	(876)	(876)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	(30)	-	(30)
Total comprehensive income for the period	-	-	(30)	(876)	(906)
Reserve credit for equity-settled share-based payment	-	-	21	-	21
Issue of new share capital	3	-	-	-	3
Premium on new share capital	-	25	-	-	25
Transactions with owners	3	25	21	-	49
Balance at 30 June 2012 (unaudited)	**436**	**22,056**	**501**	**(4,612)**	**18,381**

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2011 (audited)	304	14,550	953	(4,272)	11,535
Loss for the period	-	-	-	(254)	(254)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	66	-	66
Total comprehensive income for the period	-	-	66	(254)	(188)
Reserve credit for equity-settled share-based payment	-	-	134	-	134
Equity component of loans	-	-	(502)	502	-
Issue of new share capital	129	-	-	-	129
Premium on new share capital	-	7,968	-	-	7,968
Share issue costs	-	(591)	-	-	(591)
Transactions with owners	129	7,377	(368)	502	7,640
Balance at 30 June 2011 (unaudited)	433	21,927	651	(4,024)	18,987

A reconciliation of the components of Other reserves is given in note 15.

The notes 1 to 17 are an integral part of these condensed interim financial statements.

Ubisense

Interim statement of financial position

At 30 June 2012

	Notes	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Assets				
Non-current assets				
Goodwill		**7,418**	6,069	7,418
Other intangible assets	10	**2,550**	752	2,258
Property, plant and equipment		**476**	299	366
Total non-current assets		**10,444**	7,120	10,042
Current assets				
Inventories		**1,115**	784	1,667
Trade and other receivables	11	**8,508**	7,774	9,498
Cash and cash equivalents		**3,324**	8,077	6,034
Total current assets		**12,947**	16,635	17,199
Total assets		**23,391**	23,755	27,241
Liabilities				
Current liabilities				
Trade and other payables	12, 13	**(4,254)**	(4,587)	(7,294)
Total current liabilities		**(4,254)**	(4,587)	(7,294)
Non-current liabilities				
Deferred tax liability		**(596)**	(181)	(549)
Other liabilities	13	**(160)**	-	(160)
Total non-current liabilities		**(756)**	(181)	(709)
Total liabilities		**(5,010)**	(4,768)	(8,003)
Net assets		**18,381**	18,987	19,238
Equity				
Equity attributable to owners of the parent company				
Share capital	14	**436**	433	433
Share premium account		**22,056**	21,927	22,031
Other reserves	15	**501**	651	510
Retained earnings		**(4,612)**	(4,024)	(3,736)
Total equity		**18,381**	18,987	19,238

The notes 1 to 17 are an integral part of these condensed interim financial statements.

Ubisense

Interim statement of cash flows

For the six months ended 30 June 2012

	Notes	Six months to 30 June 2012 unaudited £'000	Six months to 30 June 2011 unaudited £'000	12 months to 31 December 2011 audited £'000
(Loss)/profit before tax		**(830)**	(320)	141
Adjustments for:				
Depreciation		**100**	60	140
Amortisation		**497**	171	624
Share-based payments charge		**21**	8	24
Finance income	7	**(15)**	(8)	(37)
Finance costs	7	**1**	180	185
Foreign exchange differences		**60**	19	12
Operating cash flows before working capital		**(166)**	110	1,089
Change in inventories		**552**	(420)	(1,303)
Change in receivables		**1,004**	(880)	(2,065)
Change in payables		**(2,858)**	(1,844)	(108)
Cash generated by operations before tax		**(1,468)**	(3,034)	(2,387)
Net income taxes received		**1**	107	102
Net cash flows from operating activities		**(1,467)**	(2,927)	(2,285)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	13	**(200)**	-	(1,600)
Purchases of property, plant and equipment		**(210)**	(146)	(256)
Purchases of intangible assets		**(789)**	(340)	(1,130)
Interest received		**15**	8	33
Net cash flows from investing activities		**(1,184)**	(478)	(2,953)
Cash flows from financing activities				
Repayment of borrowings		**-**	(892)	(1,014)
Interest paid		**(1)**	(42)	(47)
Proceeds from the issue of share capital	14	**28**	5,238	5,238
Net cash flows from financing activities		**27**	4,304	4,177
Net increase in cash and cash equivalents		**(2,624)**	899	(1,061)
Cash and cash equivalents at start of period		**6,034**	7,130	7,130
Exchange differences on cash and cash equivalents		**(86)**	48	(35)
Cash and cash equivalents at end of period		**3,324**	8,077	6,034

The notes 1 to 17 are an integral part of these condensed interim financial statements.

Notes to the interim financial statements

1 General information

Ubisense Group plc ('the Company') and its subsidiaries (together, 'the Group') deliver mission-critical enterprise asset tracking and geospatial systems.

The Group has operations in the UK, USA, Canada, France, Germany, Korea and Singapore and sells mainly in the USA and Europe.

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 3 September 2012.

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 2011 were approved by the Board of Directors on 19 March 2012 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.

Notes to the 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 2011. These policies have been consistently applied to all the periods presented.

The operations of the Group are not subject to significant seasonality.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5 Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the 2011 financial statements, including exposure to foreign exchange rate fluctuation, in particular the strength of Sterling relative to the US dollar and Euro. Risk is an inherent part of doing business and the strong cash position and order book leads the Directors to believe that the Group is well placed to manage business risks successfully.

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Notes to the interim financial statements

6 Operating segments

Management has determined the operating segments to be the Group's two divisions based on the reports reviewed by the Chief Operating Decision Maker. The Chief Operating Decision Maker is the Chief Executive Officer.

The Real-Time Location Systems division ("RTLS") delivers mission-critical enterprise asset tracking solutions utilising ultra-wideband ("UWB") technology to locate people and assets in 3D, bringing visibility and control to industrial business processes. The Geospatial division delivers core location based solutions, typically to blue chip utility and communications companies, to allow them to better plan and maintain their dispersed network of assets. Centrally incurred costs not directly attributable to business segments are reported under 'Central'.

Each of these operating segments is managed separately as each deal with different technologies and predominantly different customer bases. The performance of the operating segments is assessed on a measurement of Adjusted EBITDA. The measurement basis excludes depreciation, amortisation, share-based payments charge, non-recurring expenditure such as AIM listing expenses and acquisition costs, finance income and expense and income taxes.

Six months ended 30 June 2012	RTLS £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	**4,259**	**7,691**	**-**	**11,950**
Cost of sales	**(2,152)**	**(5,647)**	**-**	**(7,799)**
Gross profit	**2,107**	**2,044**	**-**	**4,151**
Other administrative expenses	**(2,042)**	**(752)**	**(1,583)**	**(4,377)**
Adjusted EBITDA	**65**	**1,292**	**(1,583)**	**(226)**
Depreciation	**-**	**-**	**(100)**	**(100)**
Amortisation of acquired intangible assets	**-**	**(128)**	**-**	**(128)**
Amortisation of other intangible assets	**(248)**	**(77)**	**(44)**	**(369)**
Share-based payments charge	**-**	**-**	**(21)**	**(21)**
Operating (loss)/profit	**(183)**	**1,087**	**(1,748)**	**(844)**
Finance income	**-**	**-**	**15**	**15**
Finance costs	**-**	**-**	**(1)**	**(1)**
(Loss)/profit before tax	**(183)**	**1,087**	**(1,734)**	**(830)**

6 Operating segments (continued)

Six months ended 30 June 2011	RTLS £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	3,888	7,367	-	11,255
Cost of sales	(1,951)	(5,733)	-	(7,684)
Gross profit	1,937	1,634	-	3,571
Other administrative expenses	(1,892)	(292)	(972)	(3,156)
Adjusted EBITDA	45	1,342	(972)	415
Depreciation	-	-	(60)	(60)
Amortisation of other intangible assets	(164)	-	(7)	(171)
Share-based payments charge	-	-	(8)	(8)
AIM listing expenses	-	-	(324)	(324)
Operating (loss)/profit	(119)	1,342	(1,371)	(148)
Finance income	-	-	8	8
Finance costs	-	-	(180)	(180)
(Loss)/profit before tax	(119)	1,342	(1,543)	(320)

12 months ended 31 December 2011	RTLS £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	8,650	15,135	-	23,785
Cost of sales	(4,012)	(11,296)	-	(15,308)
Gross profit	4,638	3,839	-	8,477
Other administrative expenses	(3,936)	(738)	(2,355)	(7,029)
Adjusted EBITDA	702	3,101	(2,355)	1,448
Depreciation	-	-	(140)	(140)
Amortisation of acquired intangible assets	-	(112)	-	(112)
Amortisation of other intangible assets	(437)	(57)	(18)	(512)
Share-based payments charge	-	-	(24)	(24)
AIM listing expenses	-	-	(324)	(324)
Acquisition costs	-	-	(47)	(47)
Operating profit/(loss)	265	2,932	(2,908)	289
Finance income	-	-	37	37
Finance costs	-	-	(185)	(185)
Profit/(loss) before tax	265	2,932	(3,056)	141

Notes to the interim financial statements

7 Finance income and costs

	Six months to 30 June 2012 unaudited £'000	Six months to 30 June 2011 unaudited £'000	12 months to 31 December 2011 audited £'000
Interest income from cash and cash equivalents	**15**	8	37
Finance income	**15**	8	37

	Six months to 30 June 2012 unaudited £'000	Six months to 30 June 2011 unaudited £'000	12 months to 31 December 2011 audited £'000
Interest payable – bank	**(1)**	(21)	(26)
Interest payable – other loans	**-**	(159)	(159)
Finance costs	**(1)**	(180)	(185)

Finance costs for the six months ended 30 June 2011 and the twelve months ended 31 December 2011 included an imputed non-cash amount of £138,000 relating to interest as a result of conversion of the Convertible Loans into shares and exercise of the warrants attaching to the bank loan.

8 Income tax

	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Current tax credit	**1**	95	133
Deferred tax expense	**(47)**	(29)	(240)
Total income tax (expense)/credit	**(46)**	66	(107)

Income tax is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

The current income tax credit for the periods ended June and December 2011 principally arises due to the receipt of R&D tax credit relief in respect of the prior year. The Group's policy is to recognise tax credits resulting from R&D claims on a cash received basis. A tax credit has not been recognised in the period ended 30 June 2012 in respect of the claim for the 2011 financial year.

9 Earnings per share

	Six months to 30 June 2012 unaudited	Six months to 30 June 2011 unaudited	12 months to 31 December 2011 audited
Earnings			
(Loss)/profit for the period (£'000)	**(876)**	(254)	34
Earnings for the purposes of diluted earnings per share (£'000)	**(876)**	(254)	34
Number of shares			
Basic weighted average number of shares ('000)	**21,725**	16,182	18,897
Effect of dilutive potential ordinary shares:			
- Share options ('000)	**1,527**	1,572	1,566
- Warrants ('000)	**15**	45	57
Diluted weighted average number of shares ('000)	**23,267**	17,799	20,520
Basic earnings per share (pence)	**(4.0p)**	(1.6p)	0.2p
Diluted earnings per share (pence)	**(4.0p)**	(1.6p)	0.2p

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, Convertible Loans and warrants. Options have no dilutive effect in loss-making years, and hence the diluted loss per share for the periods ended June 2012 and 2011 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 AIM listing expenses and acquisition costs from the measurement of profit for the period.

Adjusted diluted earnings per share	Six months to 30 June 2012 unaudited	Six months to 30 June 2011 unaudited	12 months to 31 December 2011 audited
Earnings for the purposes of diluted earnings per share (£'000)	**(876)**	(254)	34
Adjustments			
Reversal of amortisation on acquired intangible assets (£'000)	**128**	-	112
Reversal of share-based payments charge (£'000)	**21**	8	24
Reversal of AIM listing expenses (£'000)	**-**	324	324
Reversal of acquisition costs (£'000)	**-**	-	47
Net adjustments (£'000)	**149**	332	507
Adjusted earnings (£'000)	**(727)**	78	541
Adjusted diluted earnings per share (pence)	**(3.1p)**	0.4p	2.6p

Notes to the interim financial statements

10 Other intangible assets

Net book amount	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Capitalised development costs	**1,583**	693	1,127
Software	**229**	59	265
Acquired software products	**396**	-	485
Acquired customer relationships and backlog	**342**	-	381
Total other intangible assets	**2,550**	752	2,258

11 Trade and other receivables

	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Trade receivables, gross	**4,211**	4,075	7,541
Allowances for credit losses	**(34)**	(40)	(7)
Trade receivables, net	**4,177**	4,035	7,534
Amounts recoverable on contracts	**3,512**	2,943	1,588
Other receivables	**26**	135	21
Prepayments and accrued income	**751**	413	314
VAT and taxation receivable	**42**	248	41
Total trade and other receivables	**8,508**	7,774	9,498

12 Trade and other payables

	Note	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Payments received on account		**1,069**	541	1,995
Trade payables		**1,032**	2,022	2,110
Trade accruals		**1,193**	1,378	1,633
Other taxation and social security		**413**	556	817
Other payables		**347**	90	339
Other liabilities – contingent consideration	13	**200**	-	400
Total trade and other payables		**4,254**	4,587	7,294

13 Other liabilities – contingent consideration

	Note	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Non-current		**160**	-	160
Current	12	**200**	-	400
Total other liabilities – contingent consideration		**360**	-	560

Under the contingent cash consideration arrangement, the Group is required to pay additional amounts to the vendors of Realworld based on the achievement of two separate performance milestones that may arise between 2012 and 2013 with a combined undiscounted range of outcomes between nil and £1,150,000. A liability of £560,000 was recognised upon acquisition on 4 October 2011, based on management's best estimate of the probability-adjusted expected cash outflow from the arrangement.

£200,000 was paid in the period to June 2012 and a further £200,000 has been paid since the period end, both in respect of the first milestone. The amount recognised for the second milestone is unchanged based on the most recent management estimates.

14 Share capital

Allotted, called-up and fully paid	At 30 June 2012 unaudited £'000	At 30 June 2011 unaudited £'000	At 31 December 2011 audited £'000
Ordinary shares of £0.02 each	**436**	433	433

Movement in number of shares	At 30 June 2012 unaudited '000	At 30 June 2011 unaudited '000	At 31 December 2011 audited '000
Number of shares at beginning of period	**21,657,698**	15,211,490	15,211,490
Share issue on Initial Public Offering	**-**	2,777,778	2,777,778
Issued under share-based payment plans	**144,269**	374,308	376,308
Issued on conversion of Convertible Loan	**-**	3,176,772	3,176,772
Issued on exercise of warrants	**-**	115,350	115,350
Change in number of shares in period	**144,269**	6,444,208	6,446,208
Number of shares at end of period	**21,801,967**	21,655,698	21,657,698

During the period, the Company issued 144,269 shares increasing the total number of shares in issue from 21,657,698 to 21,801,967 as a result of options exercised with a weighted average exercise price of £0.20 per share for total cash consideration of £28,327.

15 Other reserves

	Share-based payment reserve £'000	Translation reserve £'000	Total £'000
Balance at 1 January 2012 (audited)	591	(81)	510
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	(30)	(30)
Reserve credit for equity-settled share-based payment	21	-	21
Balance at 30 June 2012 (unaudited)	**612**	**(111)**	**501**

	Equity component of convertible loans and warrants £'000	Share-based payment reserve £'000	Translation reserve £'000	Total £'000
Balance at 1 January 2011 (audited)	502	546	(95)	953
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	66	66
Reserve credit for equity-settled share-based payment	-	134	-	134
Equity component of loans	(502)	-	-	(502)
Balance at 30 June 2011 (unaudited)	-	680	(29)	651

Notes to the interim financial statements

16 Cautionary statement

This document contains certain forward-looking statements with respect of the financial condition, results, operations and businesses of Ubisense Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause the actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this document should be construed as a profit forecast.

17 Copies of interim financial statements

Copies of the interim financial statements are available from the Company at its registered office at St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge, CB4 1DL. The interim financial statements will also be available on the Company's website www.ubisense.net.

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 2012 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 related notes (1 to 17). 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 report has been prepared in accordance with the basis 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 2012 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
3 September 2012