Ubisense

17 August 2015

Ubisense Group plc

Interim results for the six months ended 30 June 2015

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 2015

Overview

- The strategic shift to Solutions, including the ongoing exit from certain low margin consulting services contracts, continues, however contract slippage with Solutions customers has led to disappointing first half revenues
- The good pipeline of Solutions opportunities to be closed in the second half, including contracts that have slipped from the first half, together with a strategic focus on accelerating partner channel development to expand business scale and reach, give confidence on the full year outturn
- Significant restructuring is being implemented to focus sales and marketing activity in key geographies, reducing operating costs which had accelerated ahead of revenue growth

Financial highlights

- Total revenue was £10.4m (H1 2014: £17.3m)
- Solutions revenue was £5.7m (H1 2014: £8.5m), and represents an increased proportion of total revenue at 55% (H1 2014: 49%)
- Recurring revenues up £0.5m to £4.0m (H1 2014: £3.5m)
- Adjusted EBITDA* loss of £3.7m (H1 2014: £0.2m profit)
- Reported operating loss of £7.3m (H1 2014: £2.0m loss) including £1.9m non-recurring costs (H1 2014: £0.3m)
- Adjusted diluted loss per share** 19.0p (H1 2014: 5.5p loss)
- Placing of £10m before expenses to strengthen the balance sheet and invest in growth of the Solutions business
- Cash and cash equivalents of £7.8m and net funds of £2.5m
- Increased the working capital bank facility from £5.0m to £8.0m in June 2015 to support company growth. Total debt facilities of £9.1m, of which £5.3m drawn at 30 June. Net funds of £2.5m ensure that HSBC bank covenants at 30 June 2015 are satisfied

Operational highlights

- Significant orders during the period from both new and existing customers; including strategic wins at General Motors, Magna Steyr and Telus
- RTLS Dimension4 product completed first production deployment acceptance
- Significant Geospatial myWorld product sale with a key North American communications provider and good pipeline of new opportunities in North America and Japan
- Major restructuring into two business lines (RTLS & Geospatial) removing headcount, ceasing market entry investment and exiting low margin consulting services in certain geographies to deliver run rate cost savings of over £2m

Richard Green, Chief Executive, commented,

"The results for the first half are clearly disappointing. We have continued to execute our shift to software solutions, by exiting the consulting services business in Europe which combined with customer order slippage resulted in a significant revenue decrease in the first half. As a result of our strategic review and significant restructuring activities, headcount reductions and withdrawal from certain markets will result in a sustainable cost base in line with our revenue expectations for the second half. Having made the investment in our two business lines and developed next generation products over the past 3 years, whilst building up a blue chip customer base, the group is now better positioned to scale with its strategic partner channels such as Atlas Copco. As a result the Group is confident it is in a position to deliver a full year outturn in line with the Board's expectations followed by growth in the longer term."

* Measured as operating profit excluding depreciation, amortisation, share-based payments charge 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, share-based payments charge and non-recurring costs such as acquisition and reorganisation costs.

Contact

Ubisense Group plc Richard Green Tim Gingell	Tel: + 44 (0) 1223 535170
Numis Securities Limited Simon Willis, Jamie Lillywhite (Corporate Finance) Rupert Krefting (Corporate Broking)	Tel: + 44 (0) 20 7260 1000
Redleaf Communications Rebecca Sanders-Hewett, Richard Gotla, David Ison, Harriet Lynch	Tel: +44 (0) 20 7382 4730

About Ubisense

Ubisense (AIM: UBI), a global leader in enterprise location intelligence solutions, helps manufacturing, communications and utility companies 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, Japan, and Singapore. For more information visit: www.ubisense.net.

Overview

In the first half of 2015, the Group has continued its shift from low margin consulting services to selling and delivering solutions based on our own IP. These changes we have implemented have resulted in significant revenue reduction compared to last year as a disappointingly slow closure rate on new Solutions contracts in the first half has failed to offset the anticipated revenue shortfall from the historic services business.

Strategy

The strategy of the Group is to:

- Continue to evolve as a global, scalable Solutions-based business
- Develop next-generation platforms & applications that deliver strong ROI to our customers and partners
- Use strategic channel partners to extend reach within our vertical markets, expand our delivery capability and enhance margin growth

The business focuses its resources on delivering business critical location intelligence technology in markets where we add the most value. As our market footprint increases, our reputation with our customers continues to be one of value, reliability and exceptional service.

Business development

In our RTLS business, considerable effort and investment in Europe, North America and Japan has resulted in Ubisense securing contracts with major manufacturing customers with global presence. Deployment extensions continue to be signed, with Smart Factory being implemented by a growing number of OEMs and across an ever increasing number of production lines. This business allows for ROI enhancement through our systems provided to customers and is a key driver for the widespread adoption of Smart Factory implementations to manufacturers around the globe.

Our Geospatial business continues to demonstrate continued growth with contract wins during the period for the myWorld application in a large US communication network operator. Our position in the North American market is strengthening, supported by our continued shift towards a Solutions-focused model. Initial contacts have also been secured with Japanese water companies during the period for the myWorld product.

However market entry investments in territories such as South Korea and the Philippines have taken longer than anticipated and are being discontinued, particularly where our reach can be extended more effectively by our strategic partners.

Partnerships

In the RTLS business, the strategic partnership with Atlas Copco has supported contract wins during the period on 3 continents, two with completely new Automotive OEMs to the Group. In addition, but still at an early stage, were sales wins with other partners including Siemens and Meiji Denki during the period. Strategically, we will look to expand in the focus on partnerships to deliver cost efficient business growth.

Restructuring

Following a strategic review of the business operations, we have restructured into two operating divisions (RTLS and Geospatial) to better align our costs against the revenues of each product line. This streamlining of the organisation has completed the exit of the consulting services business in Europe, removed significant central overheads and discontinued investment in territories yet to show a return (South Korea & Philippines). By the end of the year the headcount is expected to be in the region of 190 employees (30 June 2015: 200 employees, 31 December 2014: 250) driving a run rate cost reduction of approximately £2 million per annum compared to the H1 operating costs. The result will be a cost base that the business can more comfortably support.

First half results included an exceptional charge of £1.9 million (H1 2014: £0.3 million) covering £0.8 million redundancy and headcount exit costs, £0.7 million exit costs and provisions relating to South Korea and Philippines, and £0.4 million unrealised intercompany foreign exchange costs.

Board changes and management team

On 30 April 2015, Peter Harverson was appointed Vice Chairman and engaged to drive leadership of sales activities, and subsequently to assist shaping the restructuring of the Group.

On 29 June 2015, the Group announced that Robert Parker would leave the company. Whilst the Board undertakes a process to appoint a replacement CFO, Tim Gingell has been appointed internally as Interim CFO.

Operating and financial review

Orders

The first half of 2015 saw new customer orders of £8.5 million (H1 2014: £14.2 million), and the customer order book as at 30 June 2015 stood at £9.4 million (H1 2014: £15.8 million).

Revenue

Following our strategic review, the focus remains on building solutions sales to customers, and the Group is reorganising into two business lines RTLS and Geospatial based on the key product suites (Smart Factory and myWorld respectively), recognising that it must focus on the key customer relationships and markets for its products.

In the full year results, the group anticipates delivering additional segmental reporting separating the RTLS and Geospatial divisions, however as the restructuring decision has only recently been actioned it is still too early to provide accurate revenue, gross margin and contribution data. During the first half, the Group was managed with two distinct revenue streams:

- **Solutions** – revenues driven from the Ubisense RTLS and Geospatial product suites (Smart Factory, myWorld respectively), technical expertise and exclusive reseller arrangements. A solution sale will include a mixture of application software (licences in perpetuity and subscription based), installation and commissioning services, hardware and maintenance and support. Margins in any given period will vary depending upon the make-up and phase of the given set of Solutions being delivered. The Group sees this revenue stream as critical to driving the growth and profitability of the business.
- **Services** – Geospatial revenues not involving the Ubisense product suites as defined above.

In the six month period under review, total revenues were £10.4 million (H1 2014: £17.3 million). Solutions revenue was £5.7 million (H1 2014: £8.5 million), with growth expected in the second half as has been the trend in prior years as customers deploy their capital budgets later in the year and as a result of Solutions contract slippage from the first half. Services revenue was £4.7 million (H1 2014: £8.9 million) with the expected decline resulting from exiting low margin business.

A significant proportion of our revenues and margins relate to a small number of large Solutions deals, the timing of which is not solely within our control, and each can carry a significant impact on our results in any single reporting period. However, revenues from managed services, maintenance and support grew to £4.0 million (H1 2014: £3.5 million) or 38.4% of total revenues (H1 2014: 20.1%) as the installed base of products increases with our customers.

As a global business with activities focused in Europe, the Americas and Asia Pacific, the reported results are subject to exchange rate volatility. During the period, sterling has strengthened against the US dollar, Euro and Japanese Yen; currencies in which the Group derives a significant proportion of its revenues. If currency exchange rates had remained constant in H1 2015 compared to H1 2014, the Board estimates that Group reported revenues would have been £0.4 million higher.

To mitigate currency effects, the Group's policy is to maintain natural hedges where possible by matching foreign currency revenues and expenditure. The Board regularly 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 Group.

Gross margin

The gross margin decreased by 2.8 basis points to 31.1% (H1 2014: 33.9%). Gross margin is significantly dependent on the product mix within the revenue streams with higher gross margin revenues being recognised on signature of new contracts than during the delivery phase. Despite the increased proportion of Solutions revenue, the delays on the signature of new Solutions contracts has driven the reduction in the gross margin percentage.

Operating and financial review (continued)

Operating expenses

Operating expenses increased to £10.5 million (H1 2014: £7.9 million) due to a significant increase in non-recurring costs (£1.9 million, H1 2014: £0.3 million) relating to the restructuring of the business and cessation of investment in certain markets. Operating expenses include sales & marketing, product marketing, product development, general & administration, foreign exchange and exceptional costs.

Other operating expenses (which excludes depreciation, amortisation and exceptional costs) increased to £6.9m (H1 2014: £5.7m, H2 2014: £6.4m) driven by headcount increases and additional marketing spend through the first half. Restructuring and streamlining of the organisation will continue to reduce these costs going forward, driving a run rate cost reduction of approximately £2 million per annum compared to the H1 operating costs.

Gross expenditure on product development was £1.4 million (H1 2014: £1.8 million) reflecting continued investment in our flagship Smart Factory and myWorld products. Capitalised product development costs at £1.2 million (H1 2014: £1.3 million) represented 86% (H1 2014: 74%) of gross development spend whilst amortisation of the capitalised development costs was £1.3 million (H1 2014: £1.2 million).

EBITDA and operating profit

Group adjusted EBITDA for the period was a loss of £3.7 million (H1 2014: £0.2 million profit). The operating loss for the period was £7.3 million (H1 2014: £2.0 million loss) and loss before tax for the period was £7.5 million (H1 2014: £2.1 million loss). The operating loss and loss before tax includes amortisation and depreciation charges of £1.7 million (H1 2014: £1.8 million).

Interest and tax

Net interest payable for the period was £192,000 (H1 2014: £64,000) mainly reflecting the finance charge in renewing the working capital facility and repaying the acquisition loan.

The Group has a net tax credit of £44,000 (H1 2014: £84,000 net credit), as a result of non-cash deferred tax on capitalised development costs and acquired intangible assets and a small tax charge in two subsidiary companies. 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 19.0 pence (H1 2014: 5.5 pence loss). Reported basic and diluted loss per share was 27.3 pence (H1 2014: 8.8 pence loss). The Board does not feel it appropriate at this time to commence paying dividends.

Balance sheet, cash and cash flow

The Group has a robust balance sheet with shareholder funds at 30 June 2015 of £21.0 million (31 December 2014: £18.8 million). The Group raised £9.6 million net in May 2015 through a placing of 11,111,112 shares in the Company.

The Group has a three year working capital facility of £8.0 million which was extended with HSBC in June 2015 (31 December 2014: £5.0 million) of which £4.5 million was drawn down at 30 June 2015 (31 December 2014: £4.0 million).

The 200 million Japanese Yen (JPY) denominated loan (£1.1 million) was renewed with Mizuho Bank in June 2015 with 160 million JPY drawn down (31 December 2014: 170 million JPY), taking advantage of the low interest rates available in that region and acting as a natural hedge against the Group's assets in Asia.

Following the fund raising and extension of the HSBC working capital facility, the Group repaid the outstanding balance on the acquisition loan (31 December 2014: £2.0 million).

Cash held on the balance sheet at 30 June 2015 was £7.8 million (31 December 2014: £3.7 million) and net funds at 30 June 2015 were £2.5 million (31 December 2014: £3.2 million net debt).

Operating and financial review (continued)

The main components of the cash movements in the first six months of 2015 included net receipts of £9.6 million from a placing to institutional shareholders (H1 2014: £4.0 million); the net repayment of bank loans of £1.5 million (H1 2014: £1.3 million drawdown); outflows of £1.3 million (H1 2014: £1.9 million) for capital investment product development and plant and equipment; and an operating cash outflow of £2.4 million (H1 2014: £1.7 million outflow).

Capital structure

The issued share capital at 30 June 2015 was 36,295,935 (31 December 2014: 25,062,842) ordinary shares of £0.02 each. The increase of 11,233,093 shares relates to 11,111,112 shares issued in the June 2015 placing and 121,981 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 2015 was 2,078,423.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance, and the factors which mitigate these risks, have not significantly changed from those set out on pages 25 to 27 of the Group's Annual Report for 2014, a copy of which is available from our website **www.ubisense.net**.

Current trading and outlook

Ubisense has started the second half of 2015 with a lower cost base and a refreshed market focus through the RTLS and Geospatial business lines, and a commitment to complete the market exits outlined. The Group has entirely assessed its order pipeline, including the Solutions contracts which slipped from the first half, and is comfortable with the level and deliverability of this pipeline. This together with the decisive action taken on costs, the benefit of which will be felt in the second half, means that the Group is confident it is on track to deliver full year results in line with the Board's expectations, notwithstanding the disappointing first half performance.

Interim income statement

For the six months ended 30 June 2015

	Notes	Six months to 30 June 2015 unaudited £'000	Six months to 30 June 2014 unaudited £'000	12 months to 31 December 2014 audited £'000
Revenues	4	**10,357**	17,331	35,051
Cost of revenues		**(7,133)**	(11,455)	(21,053)
Gross profit		**3,224**	5,876	13,998
Operating expenses		**(10,541)**	(7,891)	(18,579)
Operating loss		**(7,317)**	(2,015)	(4,581)
Analysed as:				
Gross profit		**3,224**	5,876	13,998
Other operating expenses		**(6,877)**	(5,695)	(12,094)
Adjusted EBITDA		**(3,653)**	181	1,904
Depreciation		**(204)**	(170)	(359)
Amortisation of acquired intangible assets		**(156)**	(374)	(751)
Amortisation of other intangible assets		**(1,343)**	(1,300)	(2,937)
Share-based payments charge		**(33)**	(37)	(75)
Non-recurring costs	5	**(1,928)**	(315)	(2,363)
Operating loss		**(7,317)**	**(2,015)**	**(4,581)**
Net finance costs		**(192)**	(64)	(197)
Loss before tax		**(7,509)**	(2,079)	(4,778)
Income tax		**44**	84	736
Loss for the period		**(7,465)**	**(1,995)**	**(4,042)**
Loss attributable to:				
Equity shareholders of the Company		**(7,330)**	(2,121)	(4,085)
Non-controlling interest		**(135)**	126	43
Loss per share attributable to equity shareholders of the parent (pence)				
Basic	6	**(27.3)**	(8.8)	(16.7)
Diluted	6	**(27.3)**	(8.8)	(16.7)

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 2015

	Six months to 30 June 2015 unaudited £'000	Six months to 30 June 2014 unaudited £'000	12 months to 31 December 2014 audited £'000
Loss for the period	**(7,465)**	(1,995)	(4,042)
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	**29**	(208)	(531)
Total comprehensive income for the period	**(7,436)**	(2,203)	(4,573)

Interim statement of changes in equity

For the six months ended 30 June 2015

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Trans-lation reserve £'000	Retained earnings £'000	Subtotal £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2014 (audited, restated)	**461**	**24,050**	**746**	**(221)**	**(6,342)**	**18,694**	**554**	**19,248**
Loss for the period	-	-	-	-	(2,121)	(2,121)	126	**(2,121)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	(173)	-	(173)	(35)	**(173)**
Total comprehensive income for the period	-	-	-	(173)	(2,121)	(2,294)	91	**(2,203)**
Reserve credit for equity-settled share-based payment	-	-	37	-	-	37	**-**	**37**
Issue of new share capital	40	-	-	-	-	40	**-**	**40**
Premium on new share capital	-	4,222	-	-	-	4,222	**-**	**4,222**
Share issue costs		(229)				(229)		**(229)**
Transactions with owners	40	3,993	37	-	-	4,070	**-**	**4,070**
Balance at 30 June 2014 (unaudited)	**501**	**28,043**	**783**	**(394)**	**(8,463)**	**20,470**	**645**	**21,115**
Loss for the period	-	-	-	-	(1,966)	(1,966)	(83)	**(2,049)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	(291)	-	(291)	(29)	**(320)**
Total comprehensive income for the period	-	-	-	(291)	(1,966)	(2,257)	(112)	**(2,369)**
Reserve credit for equity-settled share-based payment	-	-	38	-	-	38	-	**38**
Premium on new share capital	-	8	-	-	-	8	-	**8**
Transactions with owners	-	8	38	-	-	46	-	**46**
Balance at 31 December 2014 (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**

Ubisense

Interim statement of financial position

At 30 June 2015

	Notes	At 30 June 2015 unaudited £'000	At 30 June 2014 unaudited £'000	Restated At 31 December 2014 audited £'000
Assets				
Non-current assets				
Intangible assets	7	**13,872**	15,834	14,363
Property, plant and equipment		**1,064**	819	1,112
Total non-current assets		**14,936**	16,653	15,475
Current assets				
Inventories		**2,509**	3,031	2,881
Trade and other receivables		**10,123**	11,015	15,541
Cash and cash equivalents		**7,806**	5,537	3,697
Total current assets		**20,438**	19,583	22,119
Total assets		**35,374**	36,236	37,594
Liabilities				
Current liabilities				
Bank loans	10	**(829)**	(758)	(927)
Trade and other payables		**(7,217)**	(8,450)	(9,816)
Total current liabilities		**(8,046)**	(9,208)	(10,743)
Non-current liabilities				
Deferred tax liability		**(1,191)**	(1,479)	(1,336)
Bank loans	10	**(4,500)**	(4,000)	(6,000)
Other liabilities	9	**(666)**	(434)	(724)
Total non-current liabilities		**(6,357)**	(5,913)	(8,060)
Total liabilities		**(14,403)**	(15,121)	(18,803)
Net assets		**20,971**	21,115	18,791
Equity				
Equity attributable to owners of the parent company				
Share capital	8	**726**	501	501
Share premium		**37,409**	28,043	28,051
Share based payment reserve		**854**	783	821
Translation reserve		**(627)**	(394)	(685)
Retained earnings		**(17,757)**	(8,463)	(10,427)
Equity attributable to owners of the parent company		**20,605**	**20,470**	**18,261**
Non-controlling interests		**366**	645	530
Total equity		**20,971**	**21,115**	**18,791**

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

Interim statement of cash flows

For the six months ended 30 June 2015

	Six months to 30 June 2015 unaudited £'000	Six months to 30 June 2014 unaudited £'000	12 months to 31 December 2014 audited £'000
Loss before tax	**(7,509)**	**(2,079)**	**(4,778)**
Adjustments for:			
Depreciation	204	170	359
Amortisation	1,499	1,674	4,956
Loss on disposal of property, plant and equipment	-	-	22
Share-based payment charge	33	37	75
Non-cash non-recurring items	602	-	-
Finance income	(12)	(15)	(14)
Finance costs	204	79	211
Operating cash flows before working capital movements	(4,979)	(134)	831
Change in inventories	(231)	(443)	(293)
Change in receivables	5,365	490	(3,661)
Change in payables	(2,536)	(1,766)	447
Cash used in operations before tax	**(2,381)**	**(1,853)**	**(2,676)**
Net income taxes received/(paid)	**(1)**	141	47
Net cash flows from operating activities	**(2,382)**	(1,712)	(2,629)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	**-**	(176)	(509)
Purchases of property, plant and equipment	**(99)**	(345)	(885)
Proceeds on disposal of property, plant and equipment	**-**	-	1
Expenditure on intangible assets	**(1,154)**	(1,403)	(3,500)
Interest received	**12**	15	14
Net cash flows from investing activities	**(1,241)**	(1,909)	(4,879)
Cash flows from financing activities			
Proceeds of borrowings	**4,500**	1,258	3,427
Repayment of borrowings	**(6,000)**	-	-
Interest paid	**(191)**	(84)	(151)
Proceeds from the issue of share capital	**9,582**	4,033	4,041
Net cash flows from financing activities	**7,891**	5,207	7,317
Net increase in cash and cash equivalents	**4,268**	1,586	(191)
Cash and cash equivalents at start of period	**3,697**	3,964	3,964
Exchange differences on cash and cash equivalents	**(159)**	(13)	(76)
Cash and cash equivalents at end of period	**7,806**	5,537	3,697

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, Japan, South Korea, and Singapore and sells mainly 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 14 August 2015.

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 2014 were approved by the Board of Directors on 16 March 2015 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 2014. 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

IFRS 8 requires a "management approach" under which information in the financial statements is presented on the same basis as that used for internal management reporting purposes. The Group was organised on a global basis as a single Enterprise Location Intelligence business. This was the basis of the Group's external market offering and internal organisational and management structure and was the primary way in which the Chief Executive Officer, who is the Chief Operating Decision Maker, receives financial information to assess Group performance. As a result, the Group has therefore determined that it has only one reportable segment, for the first half, as defined by IFRS 8.

In the full year results, the group anticipates delivering additional segmental reporting separating the RTLS and Geospatial divisions, however as the restructuring decision has only recently been actioned it is still too early to provide accurate revenue, gross margin and contribution data.

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

In addition, the Board and the Executive Management Team consider the business to have two revenue streams with different characteristics, Solutions and Services, which are generated from the same asset and cost base.

4.2 Revenue by nature

	Six months to 30 June 2015 unaudited £'000	Six months to 30 June 2014 unaudited £'000	12 months to 31 December 2014 audited £'000
Solutions	**5,704**	8,476	20,067
Services	**4,653**	8,855	14,984
Total revenues	**10,357**	17,331	35,051

4.2 Revenue by geography

	Six months to 30 June 2015 unaudited £'000	Six months to 30 June 2014 unaudited £'000	12 months to 31 December 2014 audited £'000
United Kingdom	**196**	189	743
Americas	**6,676**	7,269	14,223
Europe	**1,637**	5,614	12,743
Asia Pacific	**1,848**	4,259	7,342
Total revenues	**10,357**	17,331	35,051

Revenues from external customers in the Group's domicile, the UK, as well as its major markets, Europe, Americas and Asia Pacific, have been identified on the basis of the customer's geographical location.

5 Non-recurring costs

During the period, the Group incurred non-recurring expenditure totaling £1,928,000. This includes:

- Re-organisation costs of £768,000 comprising mainly redundancy and other exit costs
- Cost and provisions of £745,000 relating to exiting from South Korea and the Philippines
- Foreign exchange losses on unrealised intercompany trading balances of £393,000, which will be non-recurring due to the conversion of trading balances to long-term loans in H2 15
- Other non-recurring expenditure of £22,000.

During 2014, the Group incurred non-recurring items of £2,363,000. £315,000 was incurred in H1 2014 relating to strategic Asia Pacific market entry. Additional non-recurring costs of £2,048,000 were incurred in H2 2014 compromising:

- Re-organisation costs of £458,000
- Further Asia Pacific market entry costs of £288,000 (total 2014 costs of £603,000)
- Professional fees in connection with an acquisition that did not proceed of £34,000
- Impairment of an acquired intangible asset of £1,268,000.

6 Earnings per share

	Six months to 30 June 2015 unaudited	Six months to 30 June 2014 Unaudited	12 months to 31 December 2014 Audited
Earnings			
Loss for the period (£'000)	**(7,330)**	(2,121)	(4,085)
Loss for the purposes of diluted earnings per share (£'000)	**(7,330)**	(2,121)	(4,085)
Number of shares			
Basic weighted average number of shares ('000)	**26,850**	24,036	24,541
Effect of dilutive potential ordinary shares:			
- Share options ('000)	**639**	1,141	969
Diluted weighted average number of shares ('000)	**27,489**	25,177	25,510
Basic loss per share (pence)	**(27.3)**	(8.8)	(16.7)
Diluted loss per share (pence)	**(27.3)**	(8.8)	(16.7)

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 2015 and 2014 and 31 December 2014 is the same as the basic loss per share.

6 Earnings per share (continued)

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	Six months to 30 June 2015 unaudited	Six months to 30 June 2014 unaudited	12 months to 31 December 2014 audited
Loss for the purposes of diluted earnings per share (£'000)	**(7,330)**	(2,121)	(4,085)
Adjustments			
Reversal of amortisation on acquired intangible assets (£'000)	**156**	374	751
Reversal of share-based payments charge (£'000)	**33**	37	75
Reversal of exceptional items (£'000)	**1,928**	315	2,363
Net adjustments (£'000)	**2,117**	726	3,189
Adjusted earnings (£'000)	**(5,213)**	(1,395)	(896)
Adjusted diluted loss per share (pence)	**(19.0)**	(5.5)	(3.5)

7 Intangible assets

Net book amount	At 30 June 2015 unaudited £'000	At 30 June 2014 unaudited £'000	At 31 December 2014 audited £'000
Goodwill	**8,155**	9,587	8,224
Capitalised product development costs	**4,045**	4,056	4,227
Software	**604**	373	652
Acquired software products	**162**	377	228
Acquired customer relationships and backlog	**906**	1,441	1,032
Total other intangible assets	**13,872**	15,834	14,363

8 Share capital

Allotted, called-up and fully paid	At 30 June 2015 unaudited £'000	At 30 June 2014 unaudited £'000	At 31 December 2014 audited £'000
Ordinary shares of £0.02 each	**726**	501	501

Movement in number of shares	At 30 June 2015 unaudited £'000	At 30 June 2014 unaudited £'000	At 31 December 2014 audited £'000
Number of shares at beginning of period	**25,062,842**	23,079,146	23,079,146
Issued under placing	**11,111,112**	1,929,589	1,929,589
Issued under share-based payment plans	**121,981**	28,917	54,107
Change in number of shares in period	**11,233,093**	1,958,506	1,983,696
Number of shares at end of period	**36,295,935**	25,037,652	25,062,842

Share capital movements

During the period, the Company issued 11,233,093 shares, increasing the total number of shares in issue from 25,062,842 to 36,295,935 as follows:

- 11,111,112 shares at £0.90 per share for a total gross cash consideration of £10,000,000, with share issue costs of £448,000 written off against the share premium account; and

- 121,981 share options exercised with a weighted average exercise price of £0.25 per share for total cash consideration of £30,727.

9 Interest in subsidiaries

9.1 Sale of subsidiary company

On 18 May 2015, the Group disposed of its 100% equity interest in its subsidiary, Geoplan Philippines Inc. for USD 1,000. At the previous period end of 31 December 2014, Geoplan Philippines Inc had net liabilities of £69,000 and there was no material change in the carrying value of net assets between 31 December 2014 and the date of disposal.

9.2 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 2015, the contingent consideration payable is £406,000 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. The Group has 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 2015, £4.5 million of the £8.0 million facility is 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).

The Group renewed a six month loan facility of 200 million Japanese Yen (JPY) in June 2015, which is repayable in December 2015. The loan is unsecured and interest is payable at 0.99%. As at 30 June 2015, 160 million JPY of the 200 million JPY facility is drawn down.

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 2015 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 2015 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

14 August 2015