Ubisense

Ubisense Group plc

Interim results for the six months ended 30 June 2017

Ubisense Group plc ("Ubisense" or the "Group") (AIM: UBI), a market leader in enterprise location intelligence solutions, is pleased to announce its interim results for the six months ended 30 June 2017.

Overview

- Strong set of financial results delivering significantly improved sales of Ubisense's own RTLS SmartSpace and myWorld products
- Clear enterprise software strategy based on Ubisense's Industrial Internet of Things ("IIoT") solutions
- Investment in product roadmap and go-to market strategy for RTLS SmartSpace with increased software focus and clearer customer benefits – leading directly to a new major strategic aerospace customer sale in July 2017 initially worth in excess of £1m
- Improved cash position and continued investment in the underlying business

Financial highlights

- Total revenue increased by 16% to £12.4m (H1 2016: £10.7m)
- Revenue generated by the Group's own products increased by 58%
- Adjusted EBITDA* loss of £0.4m (H1 2016: £0.6m loss)
- Adjusted diluted loss per share** 2.7p (H1 2016: 5.0p loss)
- Cash of £6.5m and net funds of £3.2m (31 Dec 2016: cash £3.5m and net funds £0.2m)

Operational highlights

- New Geospatial myWorld Fiber Planning product launched announced with major North America win in the telecommunications sector worth in excess of £1m
- RTLS SmartSpace new wins in Turkey and Japan, as well as extension orders from existing customers in other regions
- Successful go-live of large RTLS SmartSpace installations in Europe that further extend Ubisense's leadership in enterprise IIoT deployments

Richard Petti, Chief Executive Officer, commented,

"The strong increase in sales of our two product lines in the period demonstrates our ongoing transition to a software-led business. Our market positioning is now fully aligned with the emerging market for IIoT (Industrial Internet of Things) delivers better ROI and operational efficiencies to our customers. We continue our transition towards a higher margin business and I am pleased with our progress in delivering improved results over the same period in 2016."

* Measured as operating loss excluding depreciation, amortisation, unrealised intercompany foreign exchange and non-recurring costs.
** Earnings measured as profit for the period excluding amortisation of acquired intangible assets, share-based payments charge, unrealised foreign exchange gains/losses on intercompany trading balances 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, data quality 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 2017, the Group continued to trade in line with the Board's expectations with both divisions showing positive revenue growth over the same period in 2016. The Group has demonstrated particular strength in its ability to grow the sales and delivery of its RTLS SmartSpace and myWorld products where it has focused its efforts on selling enterprise solutions to new and existing customers in its global locations, whilst retaining tight cost controls.

Strategy

Ubisense maintains the Group's activities as two separate operating units, which has enabled each division to be run with a clear and distinct strategy, delivering location based operational productivity solutions for discrete industries and sets of customers.

The strategy of the Group is to:

- Develop enterprise solutions with scalable software components that deliver strong ROI to our customers
- Develop strong go-to-market plans that position our best in class IIoT solutions to best enable value to be realised from our software intellectual property
- Drive revenue growth in new markets and new verticals assisted by strategic partners
- Maintain and expand deployments of Ubisense solutions with major customers in both divisions
- Improve gross margins of the business to over 50% through the increased software focus for Ubisense's own products

Business development

In our RTLS SmartSpace business, we have seen substantial year on year growth of hardware and software sales both with new and existing customers. The first half of 2017 has seen continued rollout of global deployments with European customers in their worldwide locations, and the Group has secured new business in markets such as Turkey and Japan addressing both the automotive sector, where it has traditionally been strong, and also on and off-road commercial vehicles.

Our customers have responded positively to the repositioning of the SmartSpace software to be hardware agnostic, enabling customers to achieve integration into their MES, ERP and other operational systems.

The Geospatial business has shown a strengthened ability to sell more myWorld product in the first half of 2017 both in the form of contract extensions and new product solutions. Specifically, the Group launched a new Fiber Planning module based on myWorld but incorporating third party intelligent database components. The Group successfully closed a significant new contract with a telecoms customer in June thanks to the strong return on investment this product brings to mission critical operations. Continued growth of the myWorld software portfolio will help to offset the anticipated run-off of service revenues related to providing maintenance and services to third party products as existing contracts end.

With the objective of maintaining leadership within its enterprise software offerings the Group has strengthened its organization within both divisions with key appointments in the areas of product management and software architects, whilst also building the technical skills and domain knowledge of customer facing operations with knowledge management programmes and specific training.

The Group continues to build its partnership activities in both divisions and has signed new distribution agreements in all the territories it operates in.

Board changes and management team

On 27 July 2017, the Group announced that Peter Harverson would revert to his role as non-executive chairman working an average of two days per week effective 1 August 2017.

Current trading and outlook

Ubisense has started the second half of 2017 well, with a major strategic win for our RTLS software platform (SmartSpace) with a North American aerospace and defence contractor. We anticipate further wins for both platforms - RTLS SmartSpace and myWorld products in the remainder of the year. Overall trading performance for the fiscal year is expected to be in line with the board's expectations, demonstrating overall growth over 2016.

As part of our strategy to focus on our own IP, we expect to see over the next 12-18 months a run-off of historic contracted Geospatial services related to providing maintenance and services to third party products. With our focus on sales of our two software platforms, we expect gross margins to improve as we move away from providing services to third party geospatial products.

Following the strong performance in the first half of 2017, in which revenue generated from the Group's own products has increased by 58%, the board expects growth from Ubisense's RTLS SmartSpace and myWorld products for the remainder of this year and beyond, with a continued increase in the pipeline of potential deals and improved gross margins.

Financial key Performance indicators

	H1 2017 £m	H1 2016 £m
Revenue	12.4	10.7
Bookings	9.3	11.7
Order-book backlog	10.2	10.4
Adjusted EBITDA	(0.4)	(0.6)
Cash and cash equivalents	6.5	5.0
Net cash/(debt)	3.2	1.0

Revenue

The Group is organised into two divisions RTLS SmartSpace and Geospatial:

- RTLS SmartSpace offers IIoT software platform and hardware solutions, with associated implementation and maintenance services, to increase productivity by integrating location into operational systems and processes.

- Geospatial division offers its myWorld software platform with associated maintenance and implementation services, as well as providing technical services to customers with third party GIS software products. The myWorld software platform integrates data from any source – geographic, real time asset, GPS, location, corporate and external client based sources – into a live geospatial common operating picture empowering all users in the customer's organisation to access, input and analyse operational intelligence.

Each division provides software solutions and services to enterprise customers. The revenue composition by division is summarised in the table below:

Revenue by division	H1 2017 £ m	% of total revenue	H1 2016 £ m	% of total revenue	Year on year growth
RTLS SmartSpace	4.4	35%	2.7	25%	65%
Geospatial	8.0	65%	8.0	75%	-%
Total revenue	12.4	100%	10.7	100%	16%

Revenue is generated from RTLS SmartSpace and myWorld product suites, which are primarily Group owned intellectual property ("IP") and from services associated with third-party and non-core products. Revenue composition by revenue stream is summarised in the table below:

Revenue stream	H1 2017 £ m	% of total revenue	H1 2016 £ m	% of total revenue	Year on year growth
Software	1.1	9%	0.9	8%	22%
Maintenance and support	0.8	7%	0.7	6%	17%
Hardware	1.9	15%	0.8	8%	127%
Services	3.0	24%	1.9	18%	59%
Total revenue generated from Group IP	6.8	55%	4.3	40%	58%
Geospatial services from third party products	5.6	45%	6.4	60%	(12%)
Total revenue	12.4	100%	10.7	100%	16%

Revenue generated from the Group's own products has increased by 58% as the long-term strategy of the Group continues to be sales and development of the RTLS SmartSpace and myWorld product suites. The Group has been successful in implementing this strategy in H1 2017, with increased hardware shipments and strong demand for delivery services in both divisions following the positive momentum achieved towards the end of 2016.

Orders

Total bookings of new customer orders in the first half of 2017 were £9.3 million (H1 2016: £11.7 million). £3.1 million of this related to RTLS SmartSpace (H1 2016: £2.1 million), £3.3 million related to Geospatial myWorld (H1 2016: £2.9 million) and £3.0 million to Geospatial Services (H1 2016: £6.7 million).

The order book backlog as at 30 June 2017 was £10.2 million (30 June 2016: £10.4 million), most of which will be recognised during 2017.

Gross margin

The Group gross margin was 38% for the six months ended 30 June 2017 (H1 2016: 41%).

Gross margin by division	H1 2017 £ m	Gross margin %	H1 2016 £ m	Gross margin %	Gross margin % difference
RTLS SmartSpace	1.4	32%	1.1	41%	(9%)
Geospatial	3.3	41%	3.2	40%	1%
Total gross margin	4.7	38%	4.3	41%	(3%)

The gross margin of the RTLS SmartSpace division has reduced compared to the first half of 2016 due to revenue mix with a higher proportion of lower margin hardware and services revenue. The Geospatial division's gross margin remained steady in the first half of 2017 balanced between higher margin myWorld related revenues and lower margin Geospatial Services revenues which deliver approximately 30% gross margin.

Operating expenses and adjusted EBITDA

Operating expenses were £6.6 million (H1 2016: £5.1 million) and are summarised as follows:

	H1 2017 £ m	H1 2016 £ m
Other operating expenses	5.1	5.0
Depreciation	0.2	0.2
Amortisation and impairment	1.2	1.5
Unrealised foreign exchange on intercompany trading balances	0.1	(1.7)
Non-recurring items	-	0.1
Total operating expense	6.6	5.1

Other operating expenses were £5.1 million (H1 2016: £5.0 million) and include sales, marketing, product development, administration and share based payments. The increase in expense is primarily due to a higher share based payment charge.

Adjusted EBITDA excludes amortization and impairment, depreciation, unrealised foreign exchange gains/losses on intercompany trading balances and non-reoccurring items and is reported as it reflects the performance of the Group. Adjusted EBITDA loss for the period was £0.4 million (H1 2016: £0.6 million).

The operating loss and loss for the period was £1.9 million (H1 2016: £0.8 million)

EPS and dividends

Adjusted diluted loss per share was 2.7 pence (H1 2016: 5.0 pence loss). Reported basic and diluted loss per share was 3.3 pence (H1 2016: 1.8 pence loss). The Board does not feel it appropriate at this time to commence paying dividends.

Impact of IFRS 15

IFRS 15 Revenue from Contracts with Customers will replace IAS 18 Revenue. The new standard is applicable from 1 January 2018. IFRS 15 introduces a number of new concepts and requirements, and also provides guidance and clarification on existing practice.

Ubisense are continuing to assess the impact of the first year adoption of IFRS 15.

Ubisense anticipates that some elements of revenue recognition may be deferred as a result of the requirement to identify when the customer has control over the deliverables provided by Ubisense.

Management believe that the majority of sales orders will be unaffected by the application of IFRS 15, however, significant contracts which involve multiple performance obligations are being reviewed in detail. These obligations may include a combination of software, hardware, maintenance & support, and service revenues. Accordingly, the significance of the impact of IFRS 15 is dependent upon the timing of delivery for significant contracts close to a financial reporting period end.

Additionally, IFRS 15 states that costs incurred in acquiring and fulfilling a customer contract shall be deferred and recognised as an expense over a period that is consistent with the transfer to the customer of the goods or services. Management continue to assess the appropriateness of deferring costs against specific projects.

While management have not quantified the impact of IFRS 15 at this stage, it continues to be reviewed and management expect to fully quantify the impact within the 2017 Annual Report.

Balance sheet, cash and cash flow

Cash held on the balance sheet at 30 June 2017 was £6.5 million (31 December 2016: £3.5 million, 30 June 2016: £5.0 million) and net funds at 30 June 2017 were £3.2 million (31 December 2016: £0.2 million, 30 June 2016: £1.0 million).

The net cash inflows from operating activities were £4.2 million for the period to 30 June 2017 (H1 2016: outflow of £2.6 million). The improvement is due to a reduction in the working capital cycle through collection of trade receivables.

Capital structure

The issued share capital at 30 June 2017 was 55,890,654 ordinary shares of £0.02 each. No share options were granted to employees in the six-month period ended 30 June 2017, and the total number of unexercised share options at 30 June 2017 was 6,326,228.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's performance, and the factors which mitigate these risks, have not significantly changed from those set out on pages 20 to 23 of the Group's Annual Report for 2016 (a copy of which is available from our website **www.ubisense.net**).

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Consolidated income statement

For the six months ended 30 June 2017

	Notes	6 months to 30 June 2017 unaudited £'000	6 months to 30 June 2016 unaudited £'000	12 months to 31 December 2016 audited £'000
Revenues	4	**12,380**	10,674	26,523
Cost of revenues		**(7,676)**	(6,344)	(16,280)
Gross profit		**4,704**	4,330	10,243
Operating expenses		**(6,621)**	(5,081)	(16,408)
Operating loss		**(1,917)**	(751)	(6,165)
Analysed as:				
Gross profit		**4,704**	4,330	10,243
Other operating expenses		**(5,070)**	(4,967)	(9,919)
Adjusted EBITDA		**(366)**	(637)	324
Depreciation		**(165)**	(175)	(345)
Amortisation of acquired intangible assets		**-**	(91)	(1,223)
Amortisation of other intangible assets		**(1,253)**	(1,378)	(7,143)
Unrealised foreign exchange gains/(losses) on intercompany trading balances		**(133)**	1,651	1,877
Non-recurring items	5	**-**	(121)	345
Operating loss		**(1,917)**	(751)	(6,165)
Net finance costs		**(17)**	(146)	(279)
Loss before tax		**(1,934)**	(897)	(6,444)
Income tax		**61**	112	1,136
Loss for the period		**(1,873)**	(785)	(5,308)
Loss attributable to:				
Equity shareholders of the Company		**(1,827)**	(778)	(5,196)
Non-controlling interest		**(46)**	(7)	(112)
Loss per share attributable to equity shareholders of the parent (pence)				
Basic	6	**(3.3)**	(1.8)	(10.4)
Diluted	6	**(3.3)**	(1.8)	(10.4)

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

Consolidated statement of comprehensive income

For the six months ended 30 June 2017

	6 months to 30 June 2017 unaudited £'000	6 months to 30 June 2016 unaudited £'000	12 months to 31 December 2016 audited £'000
Loss for the period	**(1,873)**	**(785)**	(5,308)
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	**23**	**(378)**	(1,357)
Total comprehensive income for the period	**(1,850)**	**(1,163)**	(6,665)

Consolidated statement of changes in equity

For the six months ended 30 June 2017

	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 2016	**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**
Loss for the period	-	-	-	-	(4,418)	(4,418)	(105)	**(4,523)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	(1,017)	-	(1,017)	38	**(979)**
Total comprehensive income for the period	-	-	-	(1,017)	(4,418)	(5,435)	(67)	**(5,502)**
Reserve credit for equity-settled share-based payment	-	-	(95)	-	-	(95)	-	**(95)**
Issue of new share capital	-	-	-	-	-	-	-	**-**
Premium on new share capital	-	-	-	-	-	-	-	**-**
Share issue costs	-	-	-	-	-	-	-	**-**
Transactions with owners	-	-	(95)	-	-	(95)	-	**(95)**
Balance at 31 December 2016	**1,118**	**41,554**	**823**	**(2,025)**	**(32,192)**	**9,278**	**473**	**9,751**
Loss for the period	-	-	-	-	(1,827)	(1,827)	(46)	**(1,873)**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	-	28	-	28	(5)	**23**
Total comprehensive income for the period	-	-	-	28	(1,827)	(1,799)	(51)	**(1,850)**
Reserve credit for equity-settled share-based payment	-	-	161	-	-	161	-	**161**
Issue of new share capital	-	-	-	-	-	-	-	**-**
Premium on new share capital	-	1	-	-	-	1	-	**1**
Share issue costs	-	-	-	-	-	-	-	**-**
Transactions with owners	-	1	161	-	-	162	-	**162**
Balance at 30 June 2017 (unaudited)	**1,118**	**41,555**	**984**	**(1,997)**	**(34,019)**	**7,641**	**422**	**8,063**

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Consolidated statement of financial position

At 30 June 2017

	Notes	At 30 June 2017 unaudited £'000	At 30 June 2016 unaudited £'000	At 31 December 2016 audited £'000
Assets				
Non-current assets				
Intangible assets	7	**3,187**	10,113	3,616
Property, plant and equipment		**650**	871	745
Total non-current assets		**3,837**	10,984	4,361
Current assets				
Inventories		**1,567**	2,703	1,064
Trade and other receivables		**7,028**	8,946	13,221
Cash and cash equivalents		**6,485**	5,049	3,498
Total current assets		**15,080**	16,698	17,783
Total assets		**18,917**	27,682	22,144
Liabilities				
Current liabilities				
Bank loans	9	**(750)**	-	(750)
Trade and other payables		**(6,765)**	(6,420)	(8,239)
Total current liabilities		**(7,515)**	(6,420)	(8,989)
Non-current liabilities				
Deferred tax liability		**(617)**	(1,146)	(683)
Bank loans	9	**(2,500)**	(4,000)	(2,500)
Other liabilities		**(222)**	(768)	(221)
Total non-current liabilities		**(3,339)**	(5,914)	(3,404)
Total liabilities		**(10,854)**	(12,334)	(12,393)
Net assets		**8,063**	15,348	9,751
Equity				
Equity attributable to owners of the parent company				
Share capital	8	**1,118**	1,118	1,118
Share premium		**41,555**	41,554	41,554
Share based payment reserve		**984**	918	823
Translation reserve		**(1,997)**	(1,008)	(2,025)
Retained earnings		**(34,019)**	(27,774)	(32,192)
Equity attributable to owners of the parent company		**7,641**	14,808	9,278
Non-controlling interests		**422**	540	473
Total equity		**8,063**	15,348	9,751

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

Consolidated statement of cash flows

For the six months ended 30 June 2017

	6 months to 30 June 2017 unaudited £'000	6 months to 30 June 2016 unaudited £'000	12 months to 31 December 2016 audited £'000
Loss before tax	**(1,934)**	(897)	(6,444)
Adjustments for:			
Depreciation	**165**	175	345
Amortisation and impairment	**1,253**	1,469	8,366
Adjustments to contingent consideration	**-**	-	(355)
Loss on disposal of property, plant and equipment	**2**	10	24
Revaluation of intercompany balances	**133**	(1,651)	(1,877)
Share-based payment charge	**161**	27	(20)
Finance income	**(16)**	(26)	(44)
Finance costs	**33**	172	323
Operating cash flows before working capital movements	**(203)**	(721)	318
Change in inventories	**(503)**	112	1,751
Change in receivables	**6,196**	331	(3,941)
Change in payables	**(1,252)**	(2,295)	(743)
Cash used in operations before tax	**4,238**	(2,573)	(2,615)
Net income taxes received/(paid)	**(7)**	3	579
Net cash flows from operating activities	**4,231**	(2,570)	(2,036)
Cash flows from investing activities			
Purchases of property, plant and equipment	**(54)**	(36)	(26)
Payment of contingent consideration	**(197)**	-	-
Expenditure on intangible assets	**(842)**	(873)	(2,059)
Interest received	**16**	26	44
Net cash flows from investing activities	**(1,077)**	(883)	(2,041)
Cash flows from financing activities			
Repayment of borrowings	**-**	(1,623)	(2,373)
Interest paid	**(56)**	(172)	(352)
Proceeds from the issue of share capital	**1**	4,517	4,518
Net cash flows from financing activities	**(55)**	2,722	1,793
Net increase in cash and cash equivalents	**3,099**	(731)	(2,284)
Cash and cash equivalents at start of period	**3,498**	5,392	5,392
Exchange differences on cash and cash equivalents	**(112)**	388	390
Cash and cash equivalents at end of period	**6,485**	5,049	3,498

Notes to the interim consolidated financial statements

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 27 September 2017.

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 2016 were approved by the Board of Directors on 20 March 2017 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 2016. 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 RTLS SmartSpace division encompasses both a highly scalable IIOT software platform which is hardware agnostic enabling inputs from all types of location system, and Ubisense's own sensing solution combining hardware and software for a Real Time Location System (RTLS) using Ultra Wide Band (UWB) technology. The SmartSpace IIOT platform transforms this data into high value spatial event information, that helps manufacturers tackle the challenges of managing ever increasing levels of complexity 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 Group's IIOT solutions provide real-time Industry 4.0 operational awareness, flexible control and data-driven insights that enable smarter decisions for optimal process execution.

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.

Both operating segments are managed as separate business lines as each addresses different customer opportunities in distinct vertical markets and have minimal overlap from an operational or development perspective. 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 SmartSpace 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 2017	RTLS SmartSpace £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	**4,372**	**8,008**	**-**	**12,380**
Cost of sales	(2,975)	(4,701)	-	(7,676)
Gross profit	**1,397**	**3,307**	**-**	**4,704**
Sales and marketing costs	(1,412)	(894)	-	(2,306)
Contribution	**(15)**	**2,413**	**-**	**2,398**
Other operating costs			(2,764)	(2,764)
Adjusted EBITDA			**(2,764)**	**(366)**
Amortisation and impairment of intangibles			(1,253)	(1,253)
Depreciation			(165)	(165)
Unrealised foreign exchange gains/(losses) on intercompany trading balances			(133)	(133)
Non-recurring items			-	-
Operating (loss)/profit			**(4,315)**	**(1,917)**
Finance costs			(17)	(17)
(Loss)/profit before tax			**(4,332)**	**(1,934)**

4 Segmental information (continued)

6 months ended 30 June 2016	RTLS SmartSpace £'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**
Sales and marketing costs	(1,165)	(803)	(46)	(2,014)
Contribution	**(64)**	**2,388**	**(8)**	**2,316**
Other operating costs			(2,953)	(2,953)
Adjusted EBITDA			**(2,961)**	**(637)**
Amortisation and impairment of intangibles			(1,469)	(1,469)
Depreciation			(175)	(175)
Unrealised foreign exchange gains/(losses) on intercompany trading balances			1,651	1,651
Non-recurring items			(121)	(121)
Operating (loss)/profit			**(3,075)**	**(751)**
Finance costs			(146)	(146)
(Loss)/profit before tax			**(3,221)**	**(897)**

12 months ended 31 December 2016	RTLS SmartSpace £'000	Geospatial £'000	Central £'000	Total £'000
Revenue	**9,113**	**17,410**	**-**	**26,523**
Cost of sales	(5,097)	(11,183)	-	(16,280)
Gross profit	**4,016**	**6,227**	**-**	**10,243**
Sales and marketing costs	(2,931)	(1,792)	(91)	(4,814)
Contribution	**1,085**	**4,435**	**(91)**	**5,429**
Other operating costs			(5,105)	(5,105)
Adjusted EBITDA			**(5,196)**	**324**
Amortisation and impairment of intangibles			(8,366)	(8,366)
Depreciation			(345)	(345)
Unrealised foreign exchange gains/(losses) on intercompany trading balances			1,877	1,877
Non-recurring items			345	345
Operating (loss)/profit			**(11,685)**	**(6,165)**
Finance costs			(279)	(279)
(Loss)/profit before tax			**(11,964)**	**(6,444)**

4 Segmental information (continued)

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 2017 unaudited £'000	6 months to 30 June 2016 unaudited £'000	12 months to 31 December 2016 audited £'000
United Kingdom	**251**	217	365
Germany	**3,902**	1,215	6,456
France	**201**	257	313
Europe other	**253**	438	936
USA	**4,917**	5,613	12,325
Canada	**922**	833	1,664
Japan	**1,737**	2,085	4,328
Asia Pacific other	**43**	5	91
Rest of World	**154**	11	45
Total revenues	**12,380**	10,674	26,523

5 Non-recurring items

	6 months to 30 June 2017 unaudited £'000	6 months to 30 June 2016 unaudited £'000	12 months to 31 December 2016 audited £'000
Reorganisation costs	**-**	121	139
Adjustment to contingent consideration	**-**	-	(355)
Others	**-**	-	(129)
Total non-recurring items	**-**	121	(345)

6 Earnings per share

	6 months to 30 June 2017 unaudited	6 months to 30 June 2016 unaudited	12 months to 31 December 2016 audited
Earnings			
Loss for the period (£'000)	**(1,827)**	(778)	(5,196)
Loss for the purposes of diluted earnings per share (£'000)	**(1,827)**	(778)	(5,196)
Number of shares			
Basic weighted average number of shares ('000)	**55,883**	43,529	49,756
Effect of dilutive potential ordinary shares:			
- Share options ('000)	**230**	225	211
Diluted weighted average number of shares ('000)	**56,113**	43,754	49,967
Basic loss per share (pence)	**(3.3)**	(1.8)	(10.4)
Diluted loss per share (pence)	**(3.3)**	(1.8)	(10.4)

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 2017 and 2016 and 31 December 2016 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, unrealised foreign exchange gains/losses on intercompany trading balances 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 2017 unaudited	6 months to 30 June 2016 unaudited	12 months to 31 December 2016 audited
Loss for the purposes of diluted earnings per share (£'000)	**(1,827)**	(778)	(5,196)
Adjustments			
Reversal of amortisation on acquired intangible assets (£'000)	**-**	91	1,223
Impairment of goodwill and acquired intangible assets (£'000)	**-**	-	4,271
Reversal of share-based payments charge (£'000)	**161**	43	(20)
Reversal of unrealised foreign exchange gains/losses on intercompany trading balances	**133**	(1,651)	(1,877)
Reversal of exceptional items (£'000)	**-**	121	(345)
Net adjustments (£'000)	**294**	(1,396)	3,252
Adjusted earnings (£'000)	**(1,533)**	(2,174)	(1,944)
Adjusted diluted loss per share (pence)	**(2.7)**	(5.0)	(3.9)

7 Intangible assets

Net book amount	At 30 June 2017 unaudited £'000	At 30 June 2016 unaudited £'000	At 31 December 2016 audited £'000
Goodwill	**-**	4,891	-
Capitalised product development costs	**3,028**	3,604	3,343
Software	**159**	443	273
Acquired software products	**-**	75	-
Acquired customer relationships and backlog	**-**	1,100	-
Total other intangible assets	**3,187**	10,113	3,616

8 Share capital

Allotted, called-up and fully paid	At 30 June 2017 unaudited £'000	At 30 June 2016 unaudited £'000	At 31 December 2016 audited £'000
Ordinary shares of £0.02 each	**1,118**	1,118	1,118

Movement in number of shares	At 30 June 2017 unaudited £'000	At 30 June 2016 unaudited £'000	At 31 December 2016 audited £'000
Number of shares at beginning of period	**55,883,154**	36,620,247	36,620,247
Issued under placing	**-**	19,230,000	19,230,000
Issued under share-based payment plans	**7,500**	32,907	32,907
Change in number of shares in period	**7,500**	19,262,907	19,262,907
Number of shares at end of period	**55,890,654**	55,883,154	55,883,154

Share capital movements

During the period, the Company issued 7,500 shares, increasing the total number of shares in issue from 55,883,154 to 55,890,654 as follows:

- 7,500 share options exercised with an exercise price of £0.14 per share for total cash consideration of £1,050.

9 Bank loans

In October 2016, an £8.0 million HSBC working capital facility was restructured, becoming a £4.0 million repayment loan with £0.75 million repayable on or before 31 December each year. £0.75 million of this facility was repaid in December 2016.

This loan is secured on the fixed and floating assets of the Group and attracts an interest charge of LIBOR + 3%. The loan is subject to an operating covenant linked to "operating cash flow" performance (profit or loss before tax adding back any non-recurring items, finance costs, foreign exchange costs, share based payments, depreciation, amortisation or capitalisation of product development) as follows: 2016 £2.25 million negative, 2017 £nil, 2018 and beyond £1 million positive. Management and HSBC engage in regular performance reviews monitoring the forecast against the HSBC loan covenant metrics, with HSBC expressing continued support for the business.

10 Share options

On 14 December 2016 Ubisense Group plc implemented a new long-term incentive share option plan for Executive Directors and key management. Ubisense Group plc granted 5,600,000 options of 2 pence each in the Company with an exercise price set at the nominal value. The options vest if the Company's share price exceeds 70p for 60 consecutive calendar days between the 2nd and 3rd anniversary of issue and the period of employment continues for over 3 years. No charge had been recognised in the 2016 financial statements in respect of these share options granted and the Directors had assessed the impact on the 2016 financial statements to be immaterial.

During H1 2017 the share options have been valued and a share option charge of £158,000 recognised. The share options were valued using a Monte Carlo valuation model. The expected life is the expected period from grant to exercise based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free return is an average yield on the zero-coupon UK Government Bond in issue at the date of grant with a similar life to the option.

The following assumptions were used in the model for options granted during the period;

Instrument	Option
Number granted	5,600,000
Grant date	14 Dec 2016
Share price at grant date (£)	0.41
Exercise price (£)	0.02
Fair value per option (£)	0.17
Expected life (years)	4
Expected volatility (%)	45.00
Risk-free interest rate (%)	0.45
Expected dividends expressed as a dividend yield (%)	-

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 2017 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated 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 2017 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

27 September 2017