20 September 2011

Ubisense Group plc

Interim revenues up 41%, strong revenue visibility for H2

Ubisense Group plc (AIM: UBI, "Ubisense" "the Group"), the market-leading location solutions company, has announced its interim results for the six months ended 30 June 2011.

Financial highlights

- Revenue increased 41% to £11.3m (H1 2010: £8.0m)
- Adjusted EBITDA* of £0.4m (H1 2010: £0.5m)
- Operating profit, excluding AIM admission costs, of £0.2m (H1 2010: £0.2m)
- Reported operating loss £0.1m (H1 2010: operating profit £0.2m)
- Adjusted diluted EPS** 2.6p (H1 2010: 2.7p)
- Net cash of £8.1m

Other highlights

- Initial public offering on AIM with substantially oversubscribed fundraising raising £5.0m before expenses for the Group and £3.7m for selling shareholders
- BMW global licence and orders for Cowley, UK and Shenyang, China
- FPS sale to Deutsche Telekom
- French subsidiary established

Richard Green, Chief Executive, said:

"We have delivered a robust set of results, our first, as a listed company, with a strong increase in revenues, a substantial order book and growing opportunity pipeline.

"Admission to AIM marked an important landmark in the Group's development. It has provided us with a strong platform to support the rapid growth of our business and to leverage existing customer relationships with global leaders such as Aston Martin, Atlas Copco, BMW, Deutsche Telekom and EADS.

"With good momentum in the business and a growing order book, we remain confident that this robust performance will continue in the second half of 2011."

* Measured as operating profit excluding depreciation, amortisation, share-based payments charge and AIM listing expenses.
** Earnings measured as profit for the period excluding depreciation, amortisation, share-based payments charge and AIM listing expenses.

Enquiries:

Ubisense www.ubisense.net

Richard Green, Chief Executive Officer +44 (0) 1223 535170
Gordon Campbell, Chief Financial Officer

College Hill +44 (0) 20 7457 2020
Adrian Duffield / Jon Davies

Canaccord Genuity +44 (0) 20 7050 6500
Simon Bridges/Henry Fitzgerald-O'Connor

Note to editors

Ubisense is the market-leading location solutions company, delivering mission-critical enterprise asset tracking and geospatial systems that bring visibility and control to previously intractable business processes. The Group operates in two divisions, RTLS and Geospatial.

Through its RTLS division, Ubisense is a world leader in real-time location solutions allowing companies to track assets (such as tools, people and vehicles) within factories and other indoor environments in real time in three dimensions. Ubisense's end-to-end Real Time Location System (RTLS) solutions provide dynamic and precise indoor tracking of assets, helping its clients, which are primarily in the automotive, aerospace and transportation industries, to bring visibility and control to business processes thereby helping to lower costs and drive logistical efficiencies.

The Geospatial division uses Ubisense's expertise in location solutions to help large infrastructure companies, such as utilities and telecom companies, to map, plan, manage and optimise their networks across large geographic areas.

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

Overview

Ubisense is a world leader in providing end-to-end real-time location solutions, including hardware, software and services, to companies allowing them to track people and assets with a high degree of accuracy.

The first half of the year to 30 June 2011 saw a number of significant developments for the Group. The Group's revenues increased by 41% to £11.3 million (2010: £8.0 million) as two flagship customers (BMW and Airbus) started to roll out Ubisense's RTLS solutions.

Ubisense was admitted to AIM on 22 June 2011 following an over-subscribed placing with institutional investors which raised £8.7 million before expenses. The proceeds of the placing provide the Group with a strong platform to support the rapid growth of its RTLS division and to take advantage of opportunities to develop the Geospatial business, both organically and by acquisition.

Ubisense operates in two divisions:

- The RTLS division uses Ubisense's proprietary ultra-wideband technology to track assets, such as tools, people and vehicles, in factories and other indoor environments to an accuracy of 15cm in three dimensions, a degree of accuracy in places that satellite-based systems cannot currently achieve.

  Ubisense's RTLS technology has successfully been adopted within the automotive industry by several large-scale manufacturers (including BMW and Aston Martin) and within the aerospace industry by the EADS Group (notably Airbus and Eurocopter).
- The Geospatial division provides detailed mapping of network assets, network management, planning and design for large infrastructure companies, primarily in the utilities and telecom sectors, and has particular expertise in GE Smallworld software and solutions. Smallworld provides the foremost Geospatial solution for sophisticated utility network applications. Integration, through Smallworld, with software such as Google Maps and the ability to operate Ubisense's myWorld application on smart phones and tablets gives Ubisense a strong competitive position in a rapidly developing market. Key customers of this division include Deutsche Telekom, Swisscom, ExxonMobil and Duke Energy.

Strategy

Ubisense's business strategy is to build upon its existing customer relationships and secure new customer relationships, whilst expanding and diversifying its RTLS and Geospatial offerings.

There is a significant opportunity to increase the penetration of the Group's RTLS offering within the automotive sector by leveraging both its existing customers and the strategic partnership that Ubisense has developed with Atlas Copco, one of the world's leading industrial tool manufacturers. Ubisense and Atlas Copco have jointly developed a tool location system ("TLS") which is fully integrated with the Atlas Copco Tools Talk system and is marketed by Atlas Copco as part of its own product line.

Beyond the automotive industry, Ubisense is seeking to expand on its existing relationship with Airbus and its ultimate parent company EADS Group. Ubisense's RTLS solutions also have the potential to be used extensively in a number of different areas for example, in agriculture, military training, logistics and health and safety.

The Geospatial division has a significant opportunity to establish a leadership position in the Geospatial industry through accretive investment in new geographic territories and complementary intellectual property. In particular, the Geospatial division is uniquely positioned to service the GE Smallworld customer base as a number of key employees at Ubisense were employees of Smallworld prior to its acquisition by GE Energy in 2000.

Divisional review

RTLS division

The RTLS division has continued to grow during the first half, winning business from both new and existing accounts, which resulted in record first half revenue of £3.9 million.

Ubisense, together with its partner IBS AG in Germany, signed a global licence agreement with BMW to provide its RTLS solution to all assembly plants across the BMW Group. BMW subsequently placed orders to deploy the Ubisense solution in the Mini plant at Cowley, UK, and at its Shenyang plant in China. Follow-on projects at existing BMW plants in Regensburg, Germany, and Spartanburg, USA, have also been won.

In 2010, the Group signed a master contract with EADS and began a five year managed services agreement with Airbus to support the manufacture of the A380 across four hangars in France, Germany and the UK. Recently, the Group has received an order for a further hangar as well as an order for the A350 plane.

The Chicago Transit Authority (CTA) became the Group's latest large transit deal in the US, following the signing of a deal to install the Group's Transit Yard Management (TYM) system at seven depots in the city to deliver fast, reliable information about the exact location of CTA's fleet of 1,700 buses.

The Group has invested in building its R&D and sales teams, including establishing a subsidiary in France. The division continues to explore opportunities for expansion in Asia. On 3 August 2011, the Group announced that its Series 7000 RTLS industrial tags and sensors had been certified for use in China by the country's stringent regulatory authorities. This development opens up enormous commercial opportunities to the business, particularly given China has a lucrative automotive market which produced more than nine million passenger cars and commercial vehicles in the first six months of 2011.

Geospatial division

The Geospatial division delivered significant growth in the first half, led by the sale of a newly developed product – FTTx Planning System (FPS) – to Deutsche Telekom. FPS generates automatically a cost-optimised detailed network configuration suitable for laying a fibre network, thereby enabling a reduction in time-to-market for large scale FTTx roll-outs. The division is making good progress in utilising its knowledge and experience to further develop this product, as well as a range of applications for the Geospatial market.

Since the first half, the division secured a major new win to implement GE's geospatial product suite for a large US electric and gas utility. The products, including GE Smallworld Core Spatial Technology, GE Smallworld Electric Office, GE Gas Distribution Office and PowerOn, will be rolled out over a 14-month period. The solution has been designed to support over 1,000 employees and external contractors, and will enable the utility to improve safety, service and reliability across its 6,000 square mile service area.

In order to expand capacity and capability to deliver projects, the division recruited nine new employees to bring headcount to 57, including the first Geospatial employee in the UK.

Financial review

Group revenues in the six months to 30 June 2011 were £11.3 million, up 41% (2010: £8.0 million).

The RTLS division increased revenues by 83% to £3.9 million (2010: £2.1 million), 35% of Group revenue. This increase is a result of continued large-scale roll-outs of installations with BMW and Airbus. The Geospatial division increased revenues by 26% to £7.4 million (2010: £5.9 million), 65% of Group revenue.

Group gross profit increased by 42% to £3.6 million (2010: £2.5 million). Gross margins increased to 32% (2011: 31%), reflecting the increased proportion of higher margin revenues generated by the RTLS division.

Excluding one-off AIM admission costs, administrative expenses were £3.4 million (2010: £2.3 million) which reflects the increase in headcount, focussed on commercial and technical roles in both sales and marketing as well as R&D. Overall, permanent headcount increased by 19 to 132 staff.

Adjusted EBITDA was £0.4 million (2010: £0.5 million). Adjusted EBITDA excludes non-cash share-based payments and the one-off £324,000 AIM Admission cost.

Operating profit, excluding AIM Admission costs, was £0.2 million (H1 2010: £0.2 million). Reported operating loss was £0.1 million (H1 2010: operating profit £0.2 million).

The reported loss before tax was £0.3 million (2010: profit £0.1 million), after the inclusion of the AIM admission costs.

The Group has a net tax credit of £0.1 million as a result of the receipt of R&D tax credits.

Adjusted diluted EPS was 2.6 pence (2010: 2.7 pence). Reported diluted loss per share was 1.6 pence (H1 2010: earnings 0.9 pence).

The Board is not paying an interim dividend. The recently raised cash will be used to fund growth, research and development and potential acquisitions.

At the time of the Group's initial public offering on AIM, the Group issued 2.8 million shares raising gross cash proceeds of £5.0 million, enabling the repayment of the Group's debt, facilitating capital investment in R&D and equipment and providing the platform to fund organic and, potentially, inorganic growth. At the same time, selling shareholders placed out £3.7 million of shares.

As a result of the fund-raisings earlier in November 2010, which raised £4.8 million, and at the time of the admission to AIM in June this year, the Group has a strong balance sheet. The Group's cash balances at 30 June 2011 were £8.1 million (June 2010: £1.0 million).

Current trading and outlook

The Board continues to evaluate acquisition opportunities to accelerate the growth of the Group, particularly for its Geospatial division, although it will remain prudent in considering any such opportunities.

Ubisense enters the second half of 2011 with strong momentum in the business. Revenue for the first half was 64% of the revenue for the whole of 2010 financial year. With a strong order book and pipeline, this performance is anticipated to continue in the second half of 2011, in line with Board expectations.

Consolidated income statement
For the six months ended 30 June 2011

	Notes	Six months to 30 June 2011 unaudited £'000	Six months to 30 June 2010 unaudited £'000	12 months to 31 December 2010 audited £'000
Revenue	6	11,255	7,990	17,697
Cost of sales		(7,684)	(5,483)	(11,762)
Gross Profit		3,571	2,507	5,935
Administrative expenses		(3,719)	(2,267)	(5,308)
Operating (loss)/profit	6	(148)	240	627
Analysed as:				
Adjusted EBITDA		415	454	1,041
Depreciation		(67)	(55)	(97)
Amortisation		(164)	(148)	(299)
Share-based payments charge		(8)	(11)	(18)
AIM listing expenses		(324)	-	-
Operating (loss)/profit	6	(148)	240	627
Finance income	7	8	1	5
Finance costs	7	(180)	(110)	(237)
(Loss)/profit before tax		(320)	131	395
Income tax	8	66	(21)	3
(Loss)/profit for the period attributable to the equity shareholders of the Company		(254)	110	398
Earnings per share (pence)				
Basic	9	(1.6p)	0.9p	3.3p
Diluted	9	(1.6p)	0.9p	3.2p

Consolidated statement of comprehensive income
For the six months ended 30 June 2011

	Six months to 30 June 2011 unaudited £'000	Six months to 30 June 2010 unaudited £'000	12 months to 31 December 2010 audited £'000
(Loss)/profit for the period	(254)	110	398
Other comprehensive income:			
Exchange difference on retranslation of net assets and results of overseas subsidiaries	66	(59)	(29)
Total comprehensive income attributable to equity shareholders of the Company	(188)	51	369

Consolidated statement of changes in equity
For the six months ended 30 June 2011

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2010 (audited)	**235**	**9,773**	**961**	**(4,670)**	**6,299**
Profit for the period	-	-	-	110	110
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	(59)	-	(59)
Total comprehensive income for the period	-	-	(59)	110	51
Reserve credit for equity-settled share-based payment	-	-	11	-	11
Issue of new share capital	1	-	-	-	1
Premium on new share capital	-	16	-	-	16
Transactions with owners	1	16	11	-	28
Balance at 30 June 2010 (unaudited)	**236**	**9,789**	**913**	**(4,560)**	**6,378**
Profit for the period	-	-	-	288	288
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	30	-	30
Total comprehensive income for the period	-	-	30	288	318
Reserve credit for equity-settled share-based payment	-	-	7	-	7
Equity component of loans	-	-	3	-	3
Issue of new share capital	68	-	-	-	68
Premium on new share capital	-	4,957	-	-	4,957
Share issue costs	-	(196)	-	-	(196)
Transactions with owners	68	4,761	10	-	4,839
Balance at 31 December 2010 (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 12.

Consolidated statement of financial position
At 30 June 2011

	Notes	At 30 June 2011 unaudited £'000	At 30 June 2010 unaudited £'000	At 31 December 2010 audited £'000
Assets				
Non-current assets				
Goodwill		**6,069**	6,069	6,069
Other intangible assets		**693**	471	525
Property, plant and equipment		**358**	231	279
Total non-current assets		**7,120**	6,771	6,873
Current assets				
Inventories		**784**	236	364
Trade and other receivables		**7,774**	5,031	6,900
Cash and cash equivalents		**8,077**	1,034	7,130
Total current assets		**16,635**	6,301	14,394
Total assets		**23,755**	13,072	21,267
Liabilities				
Current liabilities				
Loans and borrowings	10	**-**	(2,206)	(2,372)
Trade and other payables		**(4,587)**	(3,051)	(5,974)
Total current liabilities		**(4,587)**	(5,257)	(8,346)
Non-current liabilities				
Loans and borrowings	10	**-**	(1,310)	(1,246)
Deferred tax		**(181)**	(127)	(140)
Total non-current liabilities		**(181)**	(1,437)	(1,386)
Total liabilities		**(4,768)**	(6,694)	(9,732)
Net assets		**18,987**	6,378	11,535
Equity				
Equity attributable to owners of the parent company				
Share capital	111	**433**	236	304
Share premium account		**21,927**	9,789	14,550
Other reserves	12	**651**	913	953
Retained earnings		**(4,024)**	(4,560)	(4,272)
Total equity		**18,987**	6,378	11,535

Consolidated statement of cash flows
For the six months ended 30 June 2011

	Six months to 30 June 2011 unaudited £'000	Six months to 30June 2010 unaudited £'000	12 months to 31 December 2010 audited £'000
(Loss)/profit before tax	**(320)**	131	395
Adjustments for:			
Depreciation	**67**	55	97
Amortisation	**164**	148	299
Share-based payments charge	**8**	11	18
Finance income	**(8)**	(1)	(5)
Finance costs	**180**	110	237
Foreign exchange differences	**19**	78	(12)
Operating cash flows before working capital	**110**	532	1,029
Change in inventories	**(420)**	28	(100)
Change in receivables	**(880)**	(1,374)	(3,244)
Change in payables	**(1,844)**	123	3,009
Cash generated by operations before tax	**(3,034)**	(691)	694
Net income taxes received/(paid)	**107**	(13)	32
Net cash flows from operating activities	**(2,927)**	(704)	726
Cash flows from investing activities			
Purchases of property, plant and equipment	**(146)**	(124)	(218)
Purchases of intangible assets	**(340)**	(195)	(400)
Interest received	**8**	1	5
Net cash flow from investing activities	**(478)**	(318)	(613)
Cash flows from financing activities			
Proceeds from the issue of borrowings	**-**	-	150
Repayment of borrowings	**(892)**	(167)	(255)
Interest paid	**(42)**	(53)	(108)
Proceeds from the issue of share capital	**5,238**	17	4,846
Net cash flows from financing activities	**4,304**	(203)	4,633
Net increase in cash and cash equivalents	**899**	(1,225)	4,746
Cash and cash equivalents at start of period	**7,130**	2,396	2,396
Exchange differences on cash and cash equivalents	**48**	(137)	(12)
Cash and cash equivalents at end of period	**8,077**	1,034	7,130

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, US, Canada, France, Germany, Korea and Singapore and sells mainly in the US and Europe.

The Company is a public limited company which is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange (UBI.L) and is incorporated and domiciled in the UK. The address of its registered office is St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge, CB4 1DL.

The condensed consolidated interim financial statements were approved by the Board of Directors for issue on 19 September 2011..

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 2010 were approved by the Board of Directors on 21 April 2011 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 consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2010.

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

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 2010.

5. Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the 2010 financial statements, including exposure to foreign exchange rate fluctuation, in particular the strength of Sterling relative to the US dollar and Euro. It is anticipated that the risk profile will not significantly change for the remainder of the year. Risk is an inherent part of doing business and the strong cash position of the Group as a result of the fund raising and admission to AIM on 22 June 2011 along with the strong order book leads the Directors to believe that the Group is well placed to manage business risks successfully.

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 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, finance income and expense and income taxes.

Other administrative expenses for the periods ended 30 June and 31 December 2010 have been reclassified to be consistent with current internal management reporting. The effect on the period ended 30 June 2010 was to decrease administrative expenses for RTLS by £358,000 and increase Geospatial and Central by £36,000 and £322,000 respectively. The effect on the period ended 30 December 2010 was to decrease administrative expenses for RTLS by £727,000 and increase Geospatial and Central by £66,000 and £661,000 respectively.

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	-	-	(67)	(67)
Amortisation	(164)	-	-	(164)
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)

Six months ended 30 June 2010

	RTLS £'000	**Geospatial £'000**	**Central £'000**	**Total £'000**
Revenue	2,123	5,867	-	7,990
Cost of sales	(1,041)	(4,442)	-	(5,483)
Gross Profit	1,082	1,425	-	2,507
Other administrative expenses	(1,212)	(115)	(726)	(2,053)
Adjusted EBITDA	(130)	1,310	(726)	454
Depreciation	-	-	(55)	(55)
Amortisation	(148)	-	-	(148)
Share-based payments charge	-	-	(11)	(11)
Operating (loss)/profit	(278)	1,310	(792)	240
Finance income	-	-	1	1
Finance costs	-	-	(110)	(110)
Loss/(profit) before tax	(278)	1,310	(901)	131

12 months ended 31 December 2010

	RTLS £'000	**Geospatial £'000**	**Central £'000**	**Total £'000**
Revenue	5,729	11,968	-	17,697
Cost of sales	(2,520)	(9,242)	-	(11,762)
Gross Profit	3,209	2,726	-	5,935
Other administrative expenses	(3,168)	(229)	(1,497)	(4,894)
Adjusted EBITDA	41	2,497	(1,497)	1,041
Depreciation	(2)	-	(95)	(97)
Amortisation	(299)	-	-	(299)
Share-based payments charge	-	-	(18)	(18)
Operating (loss)/profit	(260)	2,497	(1,610)	627
Finance income	-	-	5	5
Finance costs	-	-	(237)	(237)
Loss/(profit) before tax	(260)	2,497	(1,842)	395

7. Finance income and costs

	Six months to 30 June 2011 unaudited £'000	Six months to 30 June 2010 unaudited £'000	12 months to 31 December 2010 audited £'000
Interest income from cash and cash equivalents	**8**	1	5
Finance income	**8**	1	5

	Six months to 30 June 2011 unaudited £'000	Six months to 30 June 2010 unaudited £'000	12 months to 31 December 2010 audited £'000
Interest payable – bank	**(21)**	(13)	(43)
Interest payable – other loans	**(159)**	(97)	(194)
Finance costs	**(180)**	(110)	(237)

Finance costs for the six months ended 30 June 2011 includes an imputed non-cash amount of £138,000 relating to accelerated interest as a result of conversion of the Convertible Loans into shares and exercise of the warrants attaching to the bank loan (see note 10).

8. Income tax

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

The income tax credit for the period 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 respect of the claim expected to be made for the 2011 financial year.

9. Earnings per share

	Six months to 30 June 2011 unaudited £'000	Six months to 30 June 2010 unaudited £'000	12 months to 31 December 2010 audited £'000
Earnings			
(Loss)/profit for the period (£'000)	**(254)**	110	398
Effect of dilutive potential ordinary shares:			
Convertible Loans (£'000)	**159**	-	-
Earnings for the purposes of diluted earnings per share (£'000)	**(95)**	110	398
Number of shares			
Basic weighted average number of shares ('000)	**16,182**	11,773	12,034
Effect of dilutive potential ordinary shares:			
Share options ('000)	**313**	430	444
Convertible Loans ('000)	**1,446**	-	-
Warrants ('000)	**70**	-	107
Diluted weighted average number of shares ('000)	**18,011**	12,203	12,585
Basic earnings per share (pence)	**(1.6p)**	0.9p	3.3p
Diluted earnings per share (pence)	**(1.6p)**	0.9p	3.2p

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. The Group also presents an adjusted diluted earnings per share figure which excludes depreciation, amortisation, share-based payments charge, and non-recurring expenditure from the measurement of profit for the period.

Adjusted diluted earnings per share

	At 30 June 2011 unaudited £'000	At 30 June 2010 unaudited £'000	At 31 December 2010 audited £'000
Earnings for the purposes of diluted earnings per share (£'000)	**(95)**	110	398
Adjustments			
Reversal of depreciation (£'000)	**67**	55	97
Reversal of amortisation (£'000)	**164**	148	299
Reversal of share-based payments charge (£'000)	**8**	11	18
Reversal of AIM listing expenses (£'000)	**324**	-	-
Net adjustments	**563**	214	414
Adjusted earnings (£'000)	**468**	324	812
Adjusted diluted earnings per share (pence)	**2.6p**	2.7p	6.5p

10. Loans and borrowings

	At 30 June 2011 unaudited £'000	At 30 June 2010 unaudited £'000	At 31 December 2010 audited £'000
Non-current			
Bank loan	-	535	492
Convertible Loan	-	775	754
Total non-current loans and borrowings	-	1,310	1,246
Current			
Bank loan	-	288	398
Convertible Loan	-	1,918	1,974
Total current loans and borrowings	-	2,206	2,372
Total loans and borrowings	-	3,516	3,618

During the period, the bank loan was repaid in full. Of the Convertible Loan, £2,364 was repaid with the remainder converted into ordinary shares (see note 11).

11. Share capital

	At 30 June 2011 unaudited	At 30 June 2010 unaudited	At 31 December 2010 audited
Allotted, called-up and fully paid	**£'000**	**£'000**	**£'000**
Ordinary shares of £0.02 each	433	236	304

	At 30 June 2011 unaudited £'000	At 30 June 2010 unaudited £'000	At 31 December 2010 audited £'000
Movement in number of shares			
Number of shares at beginning of period	**15,211**	11,755	11,755
Share issue	**2,778**	-	3,401
Issued under share-based payment plans	**374**	27	27
Issued on conversion of Convertible Loan	**3,177**	-	28
Issued on exercise of warrants	**115**	-	-
Change in number of shares in period	**6,444**	27	3,456
Number of shares at end of period	**21,655**	11,782	15,211

During the period, the Company issued 6,444,208 shares increasing the total number of shares in issue from 15,211,490 to 21,655,698.

- 2,777,778 shares as a result of new share subscriptions at £1.80 per share for total cash consideration of £5,000,000, with share issue costs of £591,000 written off against the share premium account and listing expenses of £324,000 charged to the income statement. Included in the share issue costs written off against the share premium account is an amount of £126,000 relating to share-based payments in respect of warrants granted to professional advisers in lieu of fees;

- 374,308 shares as a result of options exercised with a weighted average exercise price of £0.35 per share for total cash consideration of £133,819;

- 3,176,772 shares as a result of the Convertible Loans being converted at £0.90 per share for total loan value converted of £2,859,095;

- 115,350 shares as a result of exercise of warrants entitled under the bank loan at £0.90 per share for cash consideration of £103,815.

12. Other reserves

	Equity component of convertible loans and warrants £'000	**Share-based payments reserve £'000**	**Translation £'000**	**Total £'000**
Balance at 1 January 2010 (audited)	**499**	**528**	**(66)**	**961**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	(59)	(59)
Reserve credit for equity-settled share-based payment	-	11	-	11
Balance at 30 June 2010 (unaudited)	**499**	**539**	**(125)**	**913**
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	30	30
Reserve credit for equity-settled share-based payment	-	7	-	7
Equity component of loans	3	-	-	3
Balance at 31 December 2010 (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**

13. 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.

14. 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, 90 St. Andrew's Road, Chesterton, Cambridge, CB4 1DL. The interim financial information document 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 2011 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 related notes (1 to 14). 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.

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 2011 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
19 September 2011