Ubisense Group plc
Interim results for the six months ended 30 June 2013

Ubisense Group plc ("Ubisense" or the "Company") (LSE: UBI), a market leader in real-time location intelligence technology, has announced its interim results for the six months ended 30 June 2013.

Delivering on our strategy

- Business integrated into single "Real Time Location Intelligence" offering to reflect increasing convergence of Ubisense technology and to meet customer demands
- Customer bookings in the period up 87% to £17.2 million
- Order book, up 38% year-on-year to £14.1 million as at June 30, continues to provide good revenue visibility
- New £5 million bank facility signed in August 2013 to provide capacity to meet future working capital requirements

Financial highlights

- Revenue increased 3.6% to £12.4m (H1 2012: £12.0m)
- Recurring revenues up, representing 26.8% of total revenues (H1 2012: 24.3%)
- Adjusted EBITDA* loss of £0.4m (H1 2012: £0.2m loss) reflecting investment in product development and marketing
- Reported operating loss of £1.5m (H1 2012: £0.8m loss)
- Adjusted diluted loss per share** 5.4p (H1 2012: 3.1p loss)

Operational highlights

- Significant orders during the period from leading European telecoms network operator, the largest US agricultural manufacturer, a Top-5 US Telecoms operator and a leading US energy utility
- Appointed as Google Enterprise Partner
- All three German automotive groups deploying Ubisense Smart Factory System

Richard Green, Chief Executive, commented,

"Ubisense continued to deliver during the first six months of 2013, evidenced by an increase in orders and deeper engagement with our blue-chip customer base. I am confident that investments made during the period in getting to production roll-out in global manufacturing companies will be realised with accelerated future orders from this sector. Meeting the emerging needs of our telecoms and utility customers and our strategic efforts in emerging markets and partnerships further contributes to our growth opportunities."

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

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About Ubisense

Ubisense is a market leader of location-based smart technology which enables companies to optimise their business processes. By keeping track of key assets, Ubisense solutions bring clarity to complex operations whilst also improving quality and reliability. Ubisense Real-Time Location Intelligence Solutions are used by a number of blue chip customers across the world, such as AGCO, Airbus, Aston Martin, BMW, Cablevision, Daimler, Deutsche Telekom, Duke Energy, John Deere, MINI and VW.

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

Overview

The Group is delighted to report significant progress in the first half of 2013. The strong momentum in the business is a testament to the strategic changes we have implemented in how we now manage the business and ultimately go to market with our leading location technology.

While this is the first time we have reported the business under a converged offering, the company has effectively been operating as a combined business with one P&L for almost a year. The significant customer traction achieved reflects the progress that has been made as we invest in the future of the business.

Strategy

In recent years, there has been a significant demand from customers requiring a single solution which combines indoor and outdoor components as well as dynamic and static data. This overlap of our traditional Geospatial and RTLS businesses enabled us to integrate both divisions into a single Real Time Location Intelligence (RTLI) business that brings together all of our leading location based technologies.

The enterprise acceptance of our RTLI solutions has been accelerated by several factors such as the consumerisation of maps led by Google, the proliferation of smart devices and the growth in cloud technologies. Ubisense's software products and services capability benefits from these trends enabling enterprises across the high value manufacturing, utility and telecommunications sectors to deliver significant improvements in efficiency and cost savings. This also opens up new, adjacent markets for Ubisense.

With the business reorganised, the strategy of the Group is to:

- Continue to evolve as a Solutions-based business with Services capability
- Develop next-generation applications that deliver ROI to customers
- Focus direct business on Telecoms, Manufacturing and Utility enterprises
- Use channel partners to reach other vertical markets at low cost of sale

Business development

A significant increase in customer bookings, nearly 90% year-on-year, validates our new strategy focused on real time location intelligence and the investment we have made in our next generation platforms and sales and marketing infrastructure.

Considerable effort and investment in key strategic accounts in both Europe and North America has resulted in Ubisense securing contracts with three major manufacturing customers with global presence and reach which will result in lower cost of sales and increased profitability going forward. Furthermore, the Group now has relationships with all three German auto manufacturers and is targeting repeat orders across these groups in the coming months. As announced separately today, we are pleased to report a new production installation win with one of these German OEM's plants located in Poland.

In our telecommunications and utility markets, new mobile technologies, embodied in our myWorld product, have opened up new business opportunities for our software products in real time operational use, not traditionally an area of focus. Customer wins for the period included a leading European telecoms network operator, a Top-5 US Telecoms operator and a leading US energy utility.

Partnerships

While our direct sales channel is receiving strong customer traction, our channel partners have also contributed to the strong customer bookings performance. Notably, we became an official enterprise partner of Google in the period. Together with our ongoing relationship with Atlas Copco, these relationships have resulted in an increase in the number of pipeline deals. This gives us confidence in achieving our goals for the second half. Furthermore, developments in Asia Pacific have increased our optimism with regards to the opportunities to significantly increase the Company's presence in this key market.

Operating and financial review

Orders

The first half of 2013 saw a number of major new contract awards and extensions to existing contracts resulting in record new orders for the period of £17.2 million (H1 2012: £9.2 million). The orders in the first half included a number of multi-year managed services deals. Since the period-end this momentum has continued and the business has announced further major RTLI Solutions deals which are expected to drive second half performance.

As a result of the record customer orders in the period, the order book as at 30 June 2013 stood at £14.1 million (H1 2012: £10.2 million) – a 38% increase year-on-year. This continues the trend of an increasing order book and gives the Company good visibility on revenues for the rest of 2013 as well as into 2014 and beyond.

Revenue

Ubisense has two revenue streams:

- **Solutions** – revenues driven from the Ubisense product suites (Smart Factory System, netSolutions, myWorld, Verotrack), 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 Company sees this revenue stream as critical to driving the growth and profitability of the business.
- **Services** – revenues not involving the Ubisense product suites as defined above. These revenues are typically long-term managed services contracts, consultancy and training. The Company generally has good visibility on future revenue from services and believes it is critical to driving customer loyalty and providing a customer base into which it can sell its Solutions.

In the six month period under review, total revenues grew by 3.6% to £12.4 million (H1 2012: £12.0 million). RTLI Solutions revenue grew to £5.8 million (H1 2012: £5.6 million), with continued growth expected in the second half as has been the trend in prior years as customers deploy their capital budgets later in the year. RTLI Services revenue grew to £6.6 million (H1 2012: £6.3 million) primarily as a result of large contract wins in the US in the Utility and Telecoms markets. Recurring revenues, comprising managed services and maintenance and support, grew to £3.3 million (H1 2012: £2.9 million) or 26.8% of total revenues (H1 2012: 24.3%) as the installed base of products increases and more customers adopt our managed services offering.

Gross margin

The gross margin reduced to 28.7% from 34.7% for the same period last year. This was the result of a number of factors: a small drop in the proportion of RTLI Solutions revenues out of the total revenues, which are generally higher margin than Services; a higher proportion of lower margin installation and commissioning revenues compared to higher margin hardware and software deliveries within RTLI Solutions and the increasing use of contractors to deliver the Services revenue whilst the Company recruits to meet the increased capacity requirements.

Operating expenses

Operating expenses were steady at £5.0 million (H1 2012: £5.0 million). Operating expenses includes Sales & Marketing, Product Marketing, Product Development, General & Administration and foreign exchange.

Gross expenditure on Product Development increased 23.8% to £1.5 million (H1 2012: £1.2 million) reflecting increased investment in our flagship Smart Factory and myWorld products. Capitalised product development costs at £1.1 million (H1 2012: £0.8 million) represented 72% of gross development spend whilst amortisation of the capitalised development costs was £0.6 million (H1 2012: £0.4 million).

The Group incurred £0.1 million of costs, mainly comprising professional fees, in connection with an acquisition which did not proceed. The Board continues to evaluate suitable acquisition opportunities in this area to enhance its geographical footprint, product offerings, delivery capacity and customer base.

Operating and financial review (continued)

EBITDA and operating profit

Group Adjusted EBITDA for the period was a loss of £0.4 million (H1 2012: £0.2 million loss). Both the operating loss and loss before tax for the period were £1.5 million (H1 2012: £0.8 million loss) including amortisation and depreciation charges of £0.9 million (H1 2012: £0.6 million) which have increased as a result of the increased amortisation on capitalised product development costs.

Interest and tax

Net interest payable for the period was £6,000 (H1 2012: £14,000 income) reflecting the lower average cash balances held during the period and the draw down of the £2 million bank loan in April 2013.

The Group has a net tax expense of £82,000 (H1 2012: £46,000), almost entirely a result of non-cash deferred tax on capitalised development costs and acquired intangible assets. Management's best estimate of the effective current tax rate is nil due to the availability of prior years' losses. The Group has substantial tax losses carried forward and expects to benefit from the Patent Box tax regime being introduced in the UK.

EPS and dividend

Adjusted diluted loss per share was 5.4 pence (H1 2012: 3.1 pence loss). Reported basic and diluted loss per share was 7.0 pence (H1 2012: 4.0 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 2013 of £17.3 million (31 December 2012: £18.9 million).

In November 2012, the Group agreed a Sterling Base Rate loan of £2.0 million to provide future working capital capacity. The loan was drawn down in full in one tranche in April 2013 and remained outstanding. Cash held in the balance sheet at 30 June 2013 was £2.0 million (31 December 2012: £2.7 million).

The main components to the cash movements in the first six months of 2013 include operating cash outflow of £1.6 million (H1 2012: £1.5 million outflow), capital investment in plant and equipment and intangibles including product development of £1.2 million (H1 2012: £1.2 million) and the receipt of the new bank loan of £2 million (H1 2012: nil).

Since the period end, in preference to renegotiating the renewal of the existing facility, the Group agreed a £5.0 million three-year term loan which will replace the existing £2 million facility and thus provide an additional £3 million of future working capital capacity. The business has yet to transition to and draw on this facility.

Capital structure

The issued share capital at 30 June 2013 was 22,015,388 (December 2012: 21,919,744) ordinary shares of £0.02 each. The increase of 95,644 shares relates entirely to share option exercises by employees. In addition, 421,500 share options were granted to employees on 19 April 2013 at an exercise price of £2.055, being the share price at the time. The total number of unexercised share options at 30 June 2013 was 2,380,911.

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 22 to 33 of the Group's Annual Report for 2012, a copy of which is available from our website **www.ubisense.net**.

Current trading and outlook

Ubisense now meets the integrated service requirements of its major customers, whose repeat orders drive the majority of the order book and who are continuing to invest in essential infrastructure projects. Ubisense has started the second half of 2013 with increasing momentum in the business and will continue to pursue growth both organically and via selective acquisitions. With improving economic conditions, Ubisense looks forward to the rest of the year with confidence.

Ubisense

Interim income statement

For the six months ended 30 June 2013

	Notes	Six months to 30 June 2013 unaudited £'000	Six months to 30 June 2012 unaudited £'000	12 months to 31 December 2012 audited £'000
Revenues	6	**12,385**	11,950	24,292
Cost of revenues		**(8,827)**	(7,799)	(14,690)
Gross profit		**3,558**	4,151	9,602
Operating expenses		**(5,013)**	(4,995)	(10,368)
Operating loss		**(1,455)**	(844)	(766)
Analysed as:				
Gross profit		**3,558**	4,151	9,602
Other operating expenses		**(3,958)**	(4,377)	(8,445)
Adjusted EBITDA		**(400)**	(226)	1,157
Depreciation		**(130)**	(100)	(227)
Amortisation of acquired intangible assets		**(128)**	(128)	(257)
Amortisation of other intangible assets		**(643)**	(369)	(953)
Share-based payments charge		**(40)**	(21)	(63)
Acquisition costs		**(114)**	-	-
Reorganisation costs		**-**	-	(423)
Operating loss		**(1,455)**	(844)	(766)
Finance income		**6**	15	38
Finance costs		**(12)**	(1)	-
Loss before tax		**(1,461)**	(830)	(728)
Income tax		**(82)**	(46)	90
Loss for the period attributable to the equity shareholders of the Company		**(1,543)**	(876)	(638)
Earnings per share (pence)				
Basic	7	**(7.0p)**	(4.0p)	(2.8p)
Diluted	7	**(7.0p)**	(4.0p)	(2.8p)

The notes 1 to 12 are an integral part of these condensed interim financial statements.

Interim statement of comprehensive income

For the six months ended 30 June 2013

	Six months to 30 June 2013 unaudited £'000	Six months to 30 June 2012 unaudited £'000	12 months to 31 December 2012 audited £'000
Loss for the period	**(1,543)**	(876)	(638)
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	**(110)**	(30)	33
Total comprehensive income attributable to equity shareholders of the Company	**(1,653)**	(906)	(605)

The notes 1 to 12 are an integral part of these condensed interim financial statements.

Interim statement of changes in equity

For the six months ended 30 June 2013

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2013 (audited)	438	22,251	606	(4,374)	18,921
Loss for the period	-	-	-	(1,543)	(1,543)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	-	(110)	-	(110)
Total comprehensive income for the period	-	-	(110)	(1,543)	(1,653)
Reserve credit for equity-settled share-based payment	-	-	40	-	40
Issue of new share capital	2	-	-	-	2
Premium on new share capital	-	18	-	-	18
Transactions with owners	2	18	40	-	60
Balance at 30 June 2013 (unaudited)	**440**	**22,269**	**536**	**(5,917)**	**17,328**

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

The notes 1 to 12 are an integral part of these condensed interim financial statements.

Interim statement of financial position

At 30 June 2013

	Notes	At 30 June 2013 unaudited £'000	At 30 June 2012 Unaudited £'000	At 31 December 2012 audited £'000
Assets				
Non-current assets				
Goodwill		**7,418**	7,418	7,418
Other intangible assets	8	**3,244**	2,550	2,901
Property, plant and equipment		**564**	476	621
Total non-current assets		**11,226**	10,444	10,940
Current assets				
Inventories		**1,330**	1,115	862
Trade and other receivables		**11,621**	8,508	10,302
Cash and cash equivalents		**2,038**	3,324	2,716
Total current assets		**14,989**	12,947	13,880
Total assets		**26,215**	23,391	24,820
Liabilities				
Current liabilities				
Loans and borrowings		**(2,000)**	-	-
Trade and other payables		**(6,157)**	(4,254)	(5,246)
Total current liabilities		**(8,157)**	(4,254)	(5,246)
Non-current liabilities				
Deferred tax liability		**(730)**	(596)	(653)
Other liabilities		**-**	(160)	-
Total non-current liabilities		**(730)**	(756)	(653)
Total liabilities		**(8,887)**	(5,010)	(5,899)
Net assets		**17,328**	18,381	18,921
Equity				
Equity attributable to owners of the parent company				
Share capital	9	**440**	436	438
Share premium		**22,269**	22,056	22,251
Other reserves	10	**536**	501	606
Retained earnings		**(5,917)**	(4,612)	(4,374)
Total equity		**17,328**	18,381	18,921

The notes 1 to 12 are an integral part of these condensed interim financial statements.

Interim statement of cash flows

For the six months ended 30 June 2013

	Notes	Six months to 30 June 2013 unaudited £'000	Six months to 30 June 2012 unaudited £'000	12 months to 31 December 2012 audited £'000
Loss before tax		**(1,461)**	(830)	(728)
Adjustments for:				
Depreciation		**130**	100	227
Amortisation		**771**	497	1,210
Loss on disposal of property, plant and equipment		**-**	-	5
Share-based payments charge		**40**	21	63
Finance income		**(6)**	(15)	(38)
Finance costs		**12**	1	-
Operating cash flows before working capital movements		**(514)**	(226)	739
Change in inventories		**(469)**	552	805
Change in receivables		**(1,536)**	1,004	(839)
Change in payables		**946**	(2,798)	(1,691)
Cash generated by operations before tax		**(1,573)**	(1,468)	(986)
Net income taxes (paid)/received		**(5)**	1	203
Net cash flows from operating activities		**(1,578)**	(1,467)	(783)
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired		**-**	(200)	(400)
Purchases of property, plant and equipment		**(93)**	(210)	(492)
Proceeds on disposal of property, plant and equipment		**-**	-	1
Purchases of intangible assets		**(1,125)**	(789)	(1,849)
Interest received		**6**	15	38
Net cash flows from investing activities		**(1,212)**	(1,184)	(2,702)
Cash flows from financing activities				
Receipt of new bank loan		**2,000**	-	-
Interest paid		**(12)**	(1)	-
Proceeds from the issue of share capital	9	**20**	28	225
Net cash flows from financing activities		**2,008**	27	225
Net increase in cash and cash equivalents		**(782)**	(2,624)	(3,260)
Cash and cash equivalents at start of period		**2,716**	6,034	6,034
Exchange differences on cash and cash equivalents	7	**104**	(86)	(58)
Cash and cash equivalents at end of period		**2,038**	3,324	2,716

The notes 1 to 12 are an integral part of these condensed interim financial statements.

Notes to the interim financial statements

1 General information

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

The Group has operations in the UK, USA, Canada, France, Germany 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 10 September 2013.

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 2012 were approved by the Board of Directors on 18 March 2013 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 2012. These policies have been consistently applied to all the periods presented.

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

4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group was described in the 2012 financial statements, including exposure to foreign exchange rate fluctuation, in particular the strength of Sterling relative to the US dollar and Euro. Risk is an inherent part of doing business and the strong cash position and order book leads the Directors to believe that the Group is well placed to manage business risks successfully.

6 Segmental Information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive Officer to allocate resources and assess performance. Segment results are reported according to the internal management reporting structure at the reporting date. In the final quarter of 2012, the management structure of the group was realigned as a single business run on a global basis reflecting the convergence of the Group's technologies, customer base and management including the centralisation of the sales, marketing and product development functions. The Group has therefore determined that it has only one reportable segment. Within this segment, the Board and Management Team consider the business to have two revenue streams with differing characteristics, as described in the Interim Management Report on page.

6.1 Revenue by nature

	Six months to 30 June 2013 unaudited £'000	Six months to 30 June 2012 unaudited £'000	12 months to 31 December 2012 audited £'000
Solutions	**5,802**	5,645	12,537
Services	**6,583**	6,305	11,755
Total Revenues	**12,385**	11,950	24,292

In addition, 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.

6.2 Revenue by geography

	Six months to 30 June 2013 unaudited £'000	Six months to 30 June 2012 unaudited £'000	12 months to 31 December 2012 audited £'000
United Kingdom	**609**	614	1,441
Europe	**5,451**	5,738	10,533
Americas	**6,090**	5,187	9,585
Asia Pacific	**235**	411	2,733
Total Revenues	**12,385**	11,950	24,292

7 Earnings per share

	Six months to 30 June 2013 unaudited	Six months to 30 June 2012 unaudited	12 months to 31 December 2012 audited
Earnings			
Loss for the period (£'000)	**(1,543)**	(876)	(638)
Loss for the purposes of diluted earnings per share (£'000)	**(1,543)**	(876)	(638)
Number of shares			
Basic weighted average number of shares ('000)	**21,953**	21,725	27,764
Effect of dilutive potential ordinary shares:			
- Share options ('000)	**1,281**	1,527	1,383
- Warrants ('000)	**-**	15	-
Diluted weighted average number of shares ('000)	**23,234**	23,267	23,147
Basic loss per share (pence)	**(7.0p)**	(4.0p)	(2.8p)
Diluted loss per share (pence)	**(7.0p)**	(4.0p)	(2.8p)

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 and warrants. Options have no dilutive effect in loss-making years, and hence the diluted loss per share for the periods ended 30 June 2013 and 2012 and 31 December 2012 is the same as the basic loss per share.

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

Adjusted diluted earnings per share	Six months to 30 June 2013 unaudited	Six months to 30 June 2012 unaudited	12 months to 31 December 2012 audited
Loss for the purposes of diluted earnings per share (£'000)	**(1,543)**	(876)	(638)
Adjustments			
Reversal of amortisation on acquired intangible assets (£'000)	**128**	128	257
Reversal of share-based payments charge (£'000)	**40**	21	63
Reversal of aborted acquisition costs (£'000)	**114**	-	-
Reversal of reorganisation costs (£'000)	**-**	-	423
Net adjustments (£'000)	**282**	149	743
Adjusted earnings (£'000)	**(1,261)**	(727)	105
Adjusted diluted (loss)/earnings per share (pence)	**(5.4p)**	(3.1p)	0.5p

8 Other intangible assets

Net book amount	At 30 June 2013 Unaudited £'000	At 30 June 2012 Unaudited £'000	At 31 December 2012 audited £'000
Capitalised product development costs	**2,597**	1,583	2,110
Software	**166**	229	182
Acquired software products	**220**	396	308
Acquired customer relationships and backlog	**261**	342	301
Total other intangible assets	**3,244**	2,550	2,901

9 Share capital

Allotted, called-up and fully paid	At 30 June 2013 unaudited £'000	At 30 June 2012 unaudited £'000	At 31 December 2012 audited £'000
Ordinary shares of £0.02 each	**440**	436	438

Movement in number of shares	At 30 June 2013 unaudited £'000	At 30 June 2012 unaudited £'000	At 31 December 2012 audited £'000
Number of shares at beginning of period	**21,919,744**	21,657,698	21,658,698
Issued under share-based payment plans	**95,644**	144,269	154,937
Issued on exercise of warrants	**-**	-	107,109
Change in number of shares in period	**95,644**	144,269	262,046
Number of shares at end of period	**22,015,388**	21,801,967	21,919,744

During the period, the Company issued 95,644 shares increasing the total number of shares in issue from 21,919,744 to 22,015,388 as a result of options exercised with a weighted average exercise price of £0.21 per share for total cash consideration of £20,000.

10 Other reserves

	Share-based payment reserve £'000	Translation reserve £'000	Total £'000
Balance at 1 January 2013 (audited)	654	(48)	606
Exchange difference on retranslation of net assets and results of overseas subsidiaries	-	(110)	(110)
Reserve credit for equity-settled share-based payment	40	-	40
Balance at 30 June 2013 (unaudited)	**694**	**(158)**	**536**

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

11 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.

12 Copies of interim financial statements

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

Independent review report to Ubisense Group plc

Introduction

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 30 June 2013 which comprises the Interim Income Statement, Interim Statement of Comprehensive Income, Interim Statement of Changes in Equity, Interim Statement of Financial Position, Interim Statement of Cash Flows and related notes (1 to 12). We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts. As disclosed in Note 2**,** the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly report has been prepared in accordance with the basis in Note 2.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 June 2013 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

10 September 2013