



Placing and Admission to AIM

Nominated Adviser and Broker:
CANACCORD Genuity

 **Ubisense**
The location solutions company

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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This document does not constitute an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA, the Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Services Authority or any other competent authority.

Application will be made for the New Placing Shares, the Additional Shares and the Existing Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors, whose names appear on page 5 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies.

The whole of this document should be read. An investment in the Company is speculative. The attention of prospective investors is drawn in particular to Part 2 of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.



UBISENSE GROUP PLC

(incorporated and registered in England and Wales with registered number 05589712)

PLACING OF UP TO 4,817,867 ORDINARY SHARES AT 180 PENCE PER ORDINARY SHARE AND

ADMISSION TO TRADING ON AIM

NOMINATED ADVISER AND BROKER: CANACCORD GENUITY LIMITED

SHARE CAPITAL

(immediately following Admission)

Issued and fully paid ordinary shares of 2 pence each

<i>Number</i>	<i>£</i>
21,421,758	£428,435.16

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place and that trading in the Ordinary Shares will commence on 22 June 2011. The Ordinary Shares are not traded on any recognised investment exchange and no other applications have been made.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document is not for distribution in or into the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa, Australia or New Zealand. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa, Australia or New Zealand and the Ordinary Shares may not be offered or sold directly or indirectly within the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa, Australia or New Zealand or to, or for the account or benefit of, any persons within the United States of America, Canada, Japan, the Republic of Ireland, the Republic of South Africa, Australia or New Zealand.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not and will not be registered under the Securities Act and may not be offered or sold within the United States. The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S.

Canaccord Genuity which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Canaccord Genuity or for advising any other person in respect of the proposed Placing and Admission. Canaccord Genuity's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Canaccord Genuity as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Canaccord Genuity has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

The information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off market) and accordingly no duty of care is accepted in relation to them. Canaccord Genuity has not authorised the contents of any part of this document. No liability whatsoever is accepted by Canaccord Genuity for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) from the Company at its registered office and at the offices of Mills & Reeve LLP, 130 Fenchurch Street, London, EC3M 5DJ from the date of this document until the date which is one month from the date of Admission. A copy of this document will also be available from the Company's website – www.ubisense.net

FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group’s future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Part 1 of this document.

The forward-looking statements in this document, including statements concerning projections of the Group’s future results, operations, profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Group are specifically described in Part 2 of this document headed “Risk Factors”. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group’s actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part 2 of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

MARKET AND FINANCIAL INFORMATION

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based on the Group’s records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

CURRENCIES

Unless otherwise indicated, all references in this document to “EUR”, “€” or “Euro” are to the lawful currency of the European Economic and Monetary Union.

Unless otherwise indicated, all references in this document to “GBP”, “£”, “pounds sterling”, “pounds”, “sterling”, “pence” or “p” are to the lawful currency of the United Kingdom.

Unless otherwise indicated, all references in the document to “USD” or “\$” or “Dollar” are to the lawful currency of the United States of America.

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PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Placing Statistics

Placing Price	180 pence
Number of Existing Ordinary Shares	17,565,310
Number of Additional Shares	1,078,670
Number of New Placing Shares	2,777,778
Number of Selling Shareholder Shares	2,040,089
Number of Ordinary Shares in issue following the Placing and Admission	21,421,758
Proportion of Enlarged Share Capital represented by New Placing Shares	13.0 per cent.
Market capitalisation at the Placing Price	£38.6 million
Gross proceeds of the Placing	£8.7 million
Gross proceeds of the Placing attributable to the New Placing Shares	£5.0 million
Net proceeds of the Placing attributable to the New Placing Shares	£4.2 million
Ticker	UBI
ISIN	GB00B3NCXX73
SEDOL	B3NCXX7

Expected Timetable of Principal Events

<i>Event</i>	<i>Time and Date</i>
Publication of this document	17 June 2011
Admission effective and dealings commence on AIM	8.00 a.m. on 22 June 2011
CREST accounts to be credited in respect of Ordinary Shares	8.00 a.m. on 22 June 2011
Despatch of definitive share certificates for Placing Shares (where applicable) by	6 July 2011

Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and Canaccord Genuity without further notice.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Professor Andrew Hopper CBE (<i>Non-Executive Chairman</i>) Richard Terence Green (<i>Chief Executive Officer</i>) Gordon Michael Campbell (<i>Chief Financial Officer</i>) Peter George Harverson (<i>Non-Executive Director</i>) Jonathan Keith Lomas (<i>Non-Executive Director</i>) Dr. Richard Gordon Newell (<i>Non-Executive Director</i>) Dr. Robert Daniell Sansom (<i>Non-Executive Director</i>) Paul Ronald Taylor (<i>Non-Executive Director</i>)
Company Secretary	Gordon Michael Campbell
Registered Office, Principal Place of Business and Business Address of each of the Directors	St. Andrew's House 90 St. Andrew's Road Chesterton Cambridge CB4 1DL
Website	www.ubisense.net
Nominated Adviser and Broker	Canaccord Genuity Limited Cardinal Place 80 Victoria Street London SW1E 5JL
Legal advisers to the Company	Mills & Reeve LLP Francis House 112 Hills Road Cambridge CB2 1PH
Legal advisers to the Company as to US law	Ireland Stapleton Pryor & Pascoe, PC 1675 Broadway, Suite 2600 Denver, CO 80202 US
Legal advisers to the Company as to German law	Graf Von Westphalen Große Bleichen 21 D-20354 Hamburg Germany
Legal advisers to the Nominated Adviser and Broker	Dorsey & Whitney (Europe) LLP 21 Wilson Street London EC2M 2TD
Auditors to the Company and Reporting Accountant	Grant Thornton UK LLP Byron House 2 Cambridge Business Park Cambridge CB4 0WZ
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Public Relations adviser to the Company	College Hill 78 Cannon Street London EC4N 6HH

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

Act	the Companies Act 2006 (as amended)
Additional Shares	an aggregate of 1,078,670 Ordinary Shares, comprising the 963,320 Ordinary Shares to be issued on Admission on conversion of the Convertible Loan and the 115,350 Ordinary Shares to be issued on Admission pursuant to the exercise of the HSBC Warrants
Admission	the admission of the Existing Ordinary Shares, the Additional Shares and the New Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
Admission Date	the date of Admission being 22 June 2011
AIM	AIM, a market operated by the London Stock Exchange
AIM Rules for Companies	the AIM Rules for Companies published by the London Stock Exchange from time to time
AIM Rules for Nominated Advisers	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
Articles	the articles of association of the Company as amended from time to time
BMW Group	Bayerische Motoren Werke AG and its group of companies
Board or Directors	the board of directors of the Company, whose names are set out on page 5 of this document
Canaccord Genuity	Canaccord Genuity Limited of Cardinal Place, 80 Victoria Street, London SW1E 5JL
certificated or in certificated form	not in uncertificated form (that is, not in CREST)
the Company or Ubisense	Ubisense Group plc, a company incorporated under the laws of England & Wales with registered number 05589712 whose registered office is at St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge CB4 1DL
Convertible Loan	the convertible loans held by certain investors and entered into by the Company on 31 December 2008
CREST	the computerised settlement system operated by Euroclear and which facilitates the electronic transfer of shares
Disclosure and Transparency Rules	the Disclosure and Transparency Rules made by the Financial Services Authority pursuant to section 73A of the FSMA
EADS Group	European Aeronautic Defence and Space Company EADS N.V. and its group of companies
Equity Incentive Plan	the Ubisense Trading Limited 2006 Equity Incentive Plan
Euroclear	Euroclear UK & Ireland Limited, a company incorporated in England and Wales
Enlarged Share Capital	together, the Existing Ordinary Shares, the New Placing Shares and the Additional Shares
Existing Ordinary Shares	the 17,565,310 existing Ordinary Shares in issue as at the date of this document

FSA or Financial Services Authority	the Financial Services Authority of the United Kingdom
FSMA	the Financial Services and Markets Act 2000 (as amended)
GE Smallworld	a division of GE Energy which is part of the General Electric Company and a reference to “ Smallworld ” is a reference to Smallworldwide plc prior to its acquisition by GE Energy
Group	the Company and its subsidiaries and “ Group Company ” should be interpreted accordingly
HSBC Warrants	the warrants held by HSBC Bank plc pursuant to which HSBC Bank plc is entitled to subscribe for Ordinary Shares, further details of which are set out in paragraph 10 of Part 4 of this document
London Stock Exchange	London Stock Exchange plc
New Articles	the articles of association of the Company that are to take effect on Admission
New Placing Shares	the 2,777,778 new Ordinary Shares which are to be placed by Canaccord Genuity pursuant to the Placing Agreement
Nominated Adviser and Broker Agreement	the agreement entered into on 16 June 2011 between the Company, the Directors and Canaccord Genuity details of which are set out in paragraph 10 of Part 4 of this document
Ordinary Shares	ordinary shares of £0.02 each in the capital of the Company
Placees	the subscribers for Placing Shares pursuant to the Placing
Placing	the conditional placing of the New Placing Shares pursuant to the Placing Agreement and of the Selling Shareholder Shares pursuant to the Selling Shareholder Agreements, in each case, by Canaccord Genuity at the Placing Price
Placing Agreement	the conditional agreement dated 16 June 2011 between the Company, Canaccord Genuity and the Directors relating to the Placing, further details of which are set out in paragraph 10 of Part 4 of this document
Placing Price	180 pence per Placing Share
Placing Shares	the New Placing Shares and the Selling Shareholder Shares which are the subject of the Placing
Prospectus Rules	the prospectus rules made by the Financial Services Authority pursuant to section 73A of the FSMA
Regulation S	Regulation S under the Securities Act
Regulations	the Uncertificated Securities Regulations 2001 (SI2001/3755) (as amended)
Regulatory Information Service	a regulatory information service that is approved by the Financial Services Authority and that is on the list of regulatory information service providers maintained by the Financial Services Authority
RTLS	real time location system
Securities Act	the US Securities Act of 1933 (as amended)
Selling Shareholder Agreements	the conditional agreements between each Selling Shareholder and Canaccord Genuity pursuant to which Canaccord Genuity has agreed to use reasonable endeavours to procure placees for the Selling Shareholder Shares

Selling Shareholders	certain existing shareholders of the Company who will be selling Ordinary Shares on Admission and whose names are found in paragraph 11 of Part 4 of this document
Selling Shareholder Shares	the 2,040,089 Ordinary Shares being sold on Admission by the Selling Shareholders and which are to be placed on their behalf by Canaccord Genuity, in each case in accordance with such Selling Shareholder's Selling Shareholder Agreement
Shareholder	a holder of Ordinary Shares from time to time and references to " Shareholders " shall be construed accordingly
Share Options	options granted under either the Share Option Scheme, or the Equity Incentive Plan or pursuant to an Unapproved Option Agreement
Share Option Scheme	the Ubisense Trading Limited 2006 Employees' Share Option Scheme
subsidiary	a subsidiary, as that term is defined in section 1162 of the Act
subsidiary undertaking	a subsidiary undertaking, as that term is defined in section 1159 of the Act
Ten Sails	Ten Sails LLP, a limited liability partnership incorporated under the laws of England & Wales with registered number OC304383 which was dissolved on 14 August 2007
Ubisense SAS	Ubisense SAS a company incorporated under the laws of France on 11 March 2011 with registered number 530 944 966
Ubisense AG	Ubisense AG a company registered with number HRB 19370 at the local court of Dortmund and incorporated under the laws of Germany on 30 June 2004
Ubisense Inc	Ubisense, Inc. a company incorporated as a Delaware corporation in the US on 1 October 2003
Ubisense Limited	Ubisense Limited a company incorporated under the laws of England & Wales with registered number 04489603 whose registered office is at St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge CB4 1DL
Ubisense Solutions Inc	Ubisense Solutions, Inc. a company incorporated under the laws of Canada on 26 August 2009
UKLA or UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
Unapproved Option Agreements	the standalone option agreements entered into with employees resident in either the UK, Canada or Germany
uncertificated or in uncertificated form	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the Regulations, may be transferred by means of CREST
US or United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
VAT	value added tax
VCT	a company which is, or which is seeking to become, approved as a venture capital trust under section 842AA of the Income and Corporation Taxes Act 1988

KEY INFORMATION

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document. Any investment decision relating to the Placing should be based on a consideration of this document as a whole and not solely on this summarised information.

The Business

- Ubisense is a world leader in providing end to end (hardware, software and services) real-time location solutions to companies allowing them to track people and assets with a high degree of accuracy.
- The Group operates in two divisions: Real-Time Location Systems (“**RTLS**”) and Geospatial.
- The RTLS division uses Ubisense’s proprietary technology to target high value manufacturing businesses which are used to track assets, such as tools, people and vehicles, in factories and other indoor environments with an accuracy that satellite based systems cannot currently achieve.
- Ubisense’s ultra-wideband (“**UWB**”) based RTLS is currently one of the few systems that delivers both reliable accuracy and the ability to track resources in three dimensions in real-time.
- The Geospatial division uses Ubisense’s expertise in location solutions to deliver applications, software and other solutions primarily in the utilities and telecom sectors.
- The Geospatial division focuses on the detailed mapping of network assets and provides, on behalf of its customers, network management planning and design, and has particular expertise in GE Smallworld software and solutions.

Key Strengths

- The Group has a secure platform on which to develop its business and has progressed to date by leveraging the profitable, cash generative Geospatial business whilst developing its RTLS technologies.
- Ubisense has large manufacturing and industrial companies in its existing customer base. The Directors believe considerable opportunities exist for further revenue generation within its current customer base.
- Ubisense’s RTLS product is proven in industrial environments and Ubisense currently has numerous blue chip customers. Ubisense has received a number of awards in recent times.
- The Board has experience in growing early stage technology businesses into successful and profitable companies. Several members of the Board have previously founded, grown and then subsequently sold technology businesses.
- The Directors believe the Group’s RTLS product is currently the most accurate and reliable solution available to support high value manufacturing and industrial processes indoors.
- Ubisense has assembled a considerable set of proprietary intellectual property relating to its RTLS product.

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.

Reasons for the Placing and Admission

The net proceeds of the Placing receivable by Ubisense are expected to be approximately £4.2 million and are intended to be used to repay the Company’s outstanding debt facility, to market and develop new relationships, to allow the development of additional intellectual property in the Group and to allow the Group to develop, if relevant opportunities arise, through selective acquisition opportunities.

PART 1

INFORMATION RELATING TO THE GROUP

1. Introduction

Ubisense is a world leader in providing end to end (hardware, software and services) real-time location solutions to companies allowing them to track people and assets with a high degree of accuracy. In addition, Ubisense's solutions give enterprises the ability to bring visibility and control to business processes by using the data generated from the tracking of such assets to lower costs and drive logistical efficiencies.

The Group operates in two divisions; Real-Time Location Systems (“RTLS”) and Geospatial.

The RTLS division uses Ubisense's proprietary technology to target high value manufacturing businesses. Ubisense's RTLS products are used to track assets, such as tools, people and vehicles, in factories and other indoor environments with an accuracy that satellite based systems cannot currently achieve. Ubisense's ultra-wideband (“UWB”) based RTLS is currently one of the few systems that delivers both reliable accuracy and the ability to track resources in three dimensions in real-time.

The Geospatial division uses Ubisense's expertise in location solutions to deliver applications, software and other solutions primarily in the utilities and telecom sectors. The Geospatial division focuses on the detailed mapping of network assets and provides, on behalf of its customers, network management planning and design and has particular expertise in GE Smallworld software and solutions.

Demand for RTLS technologies is increasing due to industrial manufacturers and others recognising the benefits of real-time asset tracking. The market for RTLS is estimated to be worth over \$2.7 billion by 2018 and the Directors believe that the Group is very well positioned to be a significant supplier to this market.

Notable customers of the Group include Atlas Copco, BMW, Aston Martin and Airbus in the RTLS division and Deutsche Telekom, Duke Energy, Swisscom and ExxonMobil in the Geospatial division.

The Company is proposing to raise approximately £4.2 million (net of expenses) by issuing 2,777,778 New Placing Shares at the Placing Price. The New Placing Shares represent approximately 13.0 per cent. of the Enlarged Issued Share Capital. In addition, Canaccord Genuity has agreed, as agent for the Selling Shareholders, to use reasonable endeavour to procure places for the Selling Shareholder Shares at the Placing Price. The proceeds of the Placing receivable by the Company will principally be used to provide working capital so that the Group can expand its RTLS offering to new customers and enter new markets whilst continuing to grow steadily its Geospatial division both organically and potentially through acquisition, and further details of which are set out in paragraph 9 of this Part 1.

2. Background and funding history

The entity that is now a wholly owned subsidiary of the Company, Ubisense Limited, was founded in 2002 by Andrew Ward, Paul Webster, Rupert Curwen and Peter Steggles who remain employees of the Group. The four founders were joined shortly thereafter by Professor Andrew Hopper CBE, who is currently the Chairman of the Company. Following a merger with Ten Sails LLP, the Group expanded out of pure technology and became an end to end location solutions provider. Ten Sails itself was set up by four former Smallworld employees, including Richard Green, Ubisense's current Chief Executive Officer, following the acquisition of Smallworld by GE in 2000.

The business of Ten Sails that merged into Ubisense became Ubisense's Geospatial division and is the origin of the Group's particular expertise in GE Smallworld software and solutions. Through the acquisition, Ubisense gained an established team with extensive experience of building and selling software systems globally in the location technology sector, and the Geospatial division's staff provided the beginnings of its customer relations network and the consulting expertise needed to deliver an integrated suite of solutions.

Over recent years, the profitability of the Geospatial division has done much to help fund the development of the RTLS division and existing Geospatial consulting work has helped fund the development of the Group’s RTLS technology. This, in conjunction with external funding has been used to support the Group’s growth.

Since November 2006, the Company has raised a total of approximately £7.9 million from a number of investors including founders, employees of the Group and institutional investors. Approximately £2.9 million was raised in three tranches of convertible loan that were issued between November 2006 and December 2008. Two of these tranches have been fully repaid or converted into Ordinary Shares and the third tranche, the Convertible Loan, will automatically convert into 963,320 Ordinary Shares on Admission.

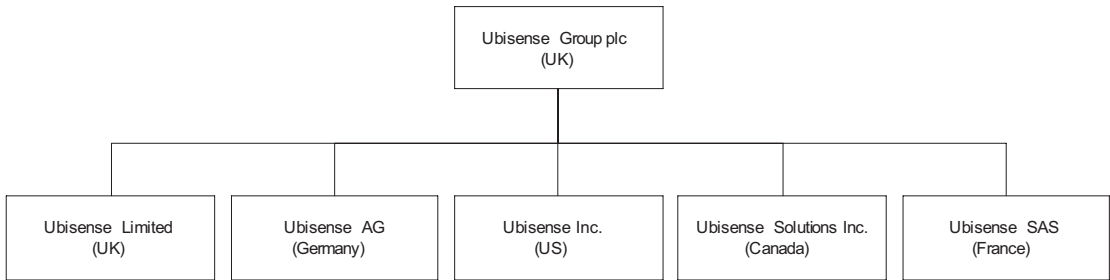
In November 2010, the Company raised gross proceeds of £5.0 million by way of a pre-Admission equity fundraising. The fundraising was led by Canaccord Genuity who arranged for a number of new institutional investors to participate in the fundraising alongside existing shareholders of the Company. The additional funding enabled Ubisense to further capitalise on a growing and significant list of opportunities in specific markets and to enable the Company to address the growing demand for its RTLS technologies.

Part of the additional funding raised in November 2010 was used specifically to enhance the Company’s growing relationship with the leading industrial tool company, Atlas Copco, and since the funding, the Company, working in conjunction with Atlas Copco, has initiated pilot schemes with some of Atlas Copco’s global automotive customers, including GM, Hyundai and Audi.

Ubisense Limited entered into a facility agreement with HSBC Bank Plc on 22 February 2008 pursuant to which HSBC Bank plc, as lender, made available to the Group a facility of up to £2,000,000. As at 31 December 2010, £894,643 was drawn down and as at 16 June 2011 (being the latest practicable date before the date of this document) £728,968 was outstanding pursuant to this facility. No further drawdown is permitted under this facility and any amounts, once repaid, are not available for further drawing.

3. Business overview

The Group legally consists of 6 companies headed by Ubisense Group plc (UK). The subsidiaries are all 100 per cent. owned by Ubisense Group plc and are: Ubisense Limited (UK); Ubisense AG (Germany); Ubisense, Inc. (US); Ubisense Solutions, Inc. (Canada); and Ubisense SAS (France).



As at the date of this document, the Company employs 125 staff based in the UK, Germany, US, France and Canada and is, in addition, using approximately 50 contractors.

The RTLS division

Product

The Group’s RTLS division primarily serves the automotive, aerospace and transport industries providing complete end to end location solutions comprising hardware products to enable real-time location of people and assets, software to enable the collection and processing of the data received by the hardware, applications to generate business benefits from the data gathered and services to implement the solution in the customer’s environment.

The RTLS division supplies location tags which are either attached to an asset directly (direct tracking) or to the equipment handling the asset (indirect tracking). These location tags are extremely durable and transmit UWB radio signals to a network of Ubisense’s fixed sensors and mobile detectors which then

use the incoming signals to locate the position of the tags. These positions can be used to trigger events (such as when an asset enters or exits a particular area) and the positions and events can be represented graphically, in real-time, in interactive 2D and 3D models using the Group's proprietary software. The Group's applications, implemented on top of the core system, enables, amongst other things, Ubisense's customers to control devices like tools on production lines, track and manage assets across large indoor factory areas and match the actual assembly progress against plan. Typical benefits are reductions in cost, improvements in efficiency and quality and reduction of work in progress.

The use of UWB and the Company's proprietary sensor technology results in solutions which display a high level of accuracy and reliability in difficult manufacturing environments where alternative radio technologies and systems often fail. The tags and sensors have been proven to operate reliably around the clock which is a sought after requirement in a number of the markets in which the Group operates.

The software applications implement the customer's business rules using the location data and events generated by the RTLS ensuring that deployments are rapid and cost effective.

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). The adaptability of Ubisense's RTLS means that the Group has also won orders from the transport industry with the likes of Amtrak, Chicago Transit Authority and Metro Transit of Minneapolis-St-Paul, US. Ubisense's RTLS tags may also be worn by people and have, for example, also been adopted by various departments of the US and French military for the purpose of analysing training exercises.

Strategic partnership with Atlas Copco

Atlas Copco is one of the worlds leading industrial tool manufacturers and an estimated one in every three cars is assembled using Atlas Copco tools.

Ubisense has developed a tool location system ("TLS") in conjunction with Atlas Copco which allows tools to be tracked, either in a production line as they are being used on the item being manufactured, or located in a stationary environment. TLS is fully integrated with the Atlas Copco Tools Talk system and is marketed by Atlas Copco as part of their product line. Atlas Copco, supported by representatives from Ubisense, have been launching the product to Atlas Copco's 1,000 strong sales staff globally. Through the Atlas Copco relationship, new contracts have been won and pilots are currently being conducted or are planned to commence shortly with Daimler, GM, Hyundai Kia and Audi. The Directors believe that there is significant opportunity to leverage Atlas Copco's brand, customer base, sales channels and on-site support to accelerate growth in the manufacturing sector.

Case Study: BMW

Introduction:

Ubisense has been working successfully with IBS AG, a supplier to BMW Group, since 2007 and has successfully integrated the Company's RTLS solution with IBS's tool management system. This combined solution has already been deployed at two major BMW assembly plants, the Regensburg plant in Germany and a new assembly line at the Spartanburg plant in South Carolina, US.

The first BMW plant to be installed with the RTLS technology was the assembly plant line in Regensburg in 2007 and 2008. Ubisense has subsequently delivered additional components and system upgrades at Regensburg. Regensburg therefore represents an established example of RTLS adoption and the Directors believe it is one of the best examples of the Company's RTLS solution for the automotive industry.

BMW Regensburg:

Ubisense's RTLS solution automates the programming of tools with the correct settings required for the specific cars that are currently being assembled. The RTLS enables BMW to both track the location of each car and tool to a very high level of accuracy throughout the 1.7km of assembly line at the plant, and to correctly associate tools and cars with an error rate of less than four parts per million. As vehicles on the line are situated very close to one another and multiple tools can be used on a single vehicle at the same time, extremely precise location of both tools and cars on the assembly line is required to ensure correct tool-to-car association. The length of the assembly line required approximately 390 Ubisense

sensors to be installed to implement the RTLS solution. When the empty shell of a car body enters the assembly process, an employee places a Ubisense UWB RTLS tag on the vehicle's bonnet and the system links the unique vehicle identification number and the unique ID of the Ubisense tag. As the car travels along the assembly line, UWB radio signals are transmitted by the tag and are picked up by the network of sensors, which measure the time-difference-of-arrival and angle-of-arrival of the signals to calculate the precise position of the tag and the car with which it is linked.

Similarly, tags are attached to the tools used along the line, and their signals allow the precise positions of the tools to be found. By comparing the location of tools and cars, the Ubisense system determines which tools are being used to assemble which cars, and passes this information to the existing IBS tool-control system, which then sends the appropriate instructions to the tools being used on each car.

At the end of the line, once the factory's quality-control department has approved a vehicle, the tag is removed and the BMW emblem is placed on the bonnet in its place. The tag can then be reused on another car.

Now that the infrastructure is in place BMW can also use the location data for additional purposes, such as tracking the location of a vehicle sent back for servicing or adjustments after assembly has been completed.

Changes to the production line at Regensburg are accommodated with additional consultancy from Ubisense. To date, system updates, purchases of additional tags and product maintenance have provided the Company with a significant additional source of revenue. The system has been operational for production at the plant since installation was completed in 2008.

Other BMW Opportunities:

In addition to Regensburg, the Ubisense RTLS was installed in the Spartanburg assembly plant in South Carolina, US in June 2010 in one of its assembly halls. In 2011, the system is being installed in a second assembly hall in Spartanburg. Ubisense expects further system updates, the purchase of additional tags and product maintenance to generate future additional revenues for the Group.

During 2011, the Group's RTLS solution is expected to be rolled out to a further two assembly plants: the Mini assembly plant in Cowley, Oxford and the Shenyang plant in North East China. In March 2011, together with its partner IBS AG in Germany, the Group entered into a Global Licence Agreement with the BMW Group which defines the framework for the Group's RTLS products to be integrated into BMW's final assembly plants around the world.

The BMW Group has a further 7 assembly facilities, predominantly in Europe, in which the Ubisense RTLS could be deployed. These assembly plants, in aggregate, manufacture over 690,000 cars and 100,000 motorcycles per annum. The Directors believe that the success with BMW could be replicated across many of the other major automotive manufactures as well as other high value industrial processes.

Case Study: EADS Group

Since early 2007, Ubisense has been working closely with several EADS Group companies including Airbus and Eurocopter, and total sales to the EADS Group are growing. In 2009, agreement was reached with the EADS Group for a global framework covering the provision of products, managed services and support for a period of five years.

Ubisense's RTLS technology lends itself well to aerospace manufacture. This industry involves large, expensive component assemblies which are currently tracked manually around factories using barcode technology to record their current status within the manufacturing process. This approach results in excessive time being spent identifying their location and makes the process susceptible to human error. In addition, the tools required to assemble aircraft are used throughout the factories and can easily get misplaced, so time is typically wasted locating them when they are needed. By using the Ubisense RTLS system to replace manual barcode scanning of component assemblies, Airbus can track the actual progress against the planned progress of these items through the production process, allowing them to optimise the production process and better determine lead time for assembly completion. The same infrastructure allows them to find tools tagged with Ubisense UWB tags.

Ubisense has now delivered its RTLS product (as a managed service) to provide a location solution for major component assemblies across Airbus' Broughton, St. Nazaire and Hamburg plants, which are monitored from the final assembly plant in Toulouse. The solution provides accurate location tracking, process tracking and analysis, component tracking, and configuration and integration. Ubisense has, to date, sold RTLS products for use in the assembly process of the A380, A400M, A350 and has also undertaken a pilot for Eurocopter.

Ubisense currently has up to five staff dedicated to supporting the relationship with EADS Group companies and the Directors believe that there is a large opportunity to gain significant further revenue from this relationship. In particular, Ubisense is working closely with Airbus to explore ways in which its RTLS solution can be used to enhance the assembly process of new aircraft. In addition Ubisense is working more closely with other major EADS Group companies such as Eurocopter and Astrium (EADS' satellite division). It is anticipated that further contracts with EADS Group companies could be considerable and, in turn, could require significant amounts of working capital to both win and subsequently execute.

The Geospatial division

Ubisense's Geospatial division uses the Group's expertise in location solutions to manage some of the largest and most complex Geospatial projects worldwide on software and hardware platforms that are not proprietary to the Group, most notably and significantly those of GE Smallworld.

The Geospatial consulting services team, consisting of around 56 permanent members of staff and up to a further 50 contractors, has offices in Germany, the US and Canada and this enables multi-territory projects to be supported. The division serves the utilities, telecommunications and petrochemical industries, providing consulting and solutions, including integration with other enterprise systems, around location data. The Company's team of software engineers provide all aspects of Geospatial development and support services including: planning, project management, implementation, custom applications, upgrades, test automation, training and system management.

The Group's employees are experts in location solutions and its application to real-world problems. Practically, this involves consulting on one or all of the following areas:

Software installation

Ubisense has a number of consultants dedicated to the GE Smallworld technology suite in North America and Europe and has one of the leading GE Smallworld delivery teams. Its consultants each have between five and fifteen years of experience with the GE Smallworld product suite across a broad range of industries and applications, as well as direct involvement on GE Smallworld product development teams.

GE Smallworld's software is used by businesses to digitize, map, manage and analyze their network components and data. GE Smallworld has a customer base that spans electric, gas, nuclear and the telecommunications markets where the software is well-entrenched and critical to the operations of a number of its customer companies.

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 (including Richard Green who was a founder of Smallworld).

Analysis of data

The Group is able to increase the benefit of the data collated by the software platform by implementing changes to existing system configurations as well as advising on new application areas or integration possibilities.

Once the data is obtained, the next step is to view the results. With the arrival of Google, Microsoft and others into the mapping space, there has been something of a geospatial industry revolution, providing greater availability of rich datasets, including base maps, satellite imagery, streetview imagery and traffic information. This is combined with ease of use, improved scalability, and lower costs for "simple" applications.

Ubisense offers the ability to integrate its customers' geospatial data with technologies like Google Maps. This can be a modular solution that will facilitate the implementation of multiple technologies and use open source solutions such as OpenLayers, combined with multiple spatial data repositories, including GE Smallworld (GSS), Oracle, PostGIS or cloud-based solutions. Ubisense myWorld provides the world on Google Maps. Geospatial data, outage information, work orders, and other information from a customers enterprise system can be overlaid on the familiar Google Maps base. End users from all levels of an organization can access geospatial information from any internet enabled device.

Managed services

As applications become increasingly complex, the knowledge of staff required to operate them for maximum overall value continues to grow. Building and retaining the technical knowledge base required to maintain an enterprise geospatial product is a major challenge in today's economic environment and IT organisations are being pressed to take on more responsibilities with fewer staff.

Ubisense offers its customers the option of a managed service which applies a service level based approach to operating and maintaining applications providing ongoing maintenance, management, conversion, enhancement and support of an application portfolio.

Through this managed service offering, Ubisense augments its customers' teams with the most experienced consultants. The managed service approach is designed to provide a vehicle for Ubisense to work with its customers' IT organisations to manage the operation of their system, with appropriate expertise and best practices from both teams melded into the final solution.

This business has been a consistent cash generative division of the Company and has provided blue chip customers, such as Duke Energy, Swisscom and HLBG, with long term managed service contracts, each of which have the potential to be leveraged by the RTLS division.

The Geospatial division's current customer base includes Deutsche Telekom, Swisscom, HLBG, GE, ExxonMobil, Duke Energy, Atmos, Cox, Cablevision, Exelon, Dominion and UGI.

Case Study: Deutsche Telekom

An example of Ubisense's expertise can be seen in its relationship with Deutsche Telekom. Ubisense has a team of over 30 people implementing multiple projects for Deutsche Telekom, including the replacement of a legacy system to manage fibre network, an advanced network planning system supporting roll-out of four million new Fibre-to-the-Home connections by the end of 2012, maintaining the database containing Deutsche Telekom's entire access network and the outsourced training of 3,000 engineering users.

The Geospatial division has worked with Deutsche Telekom for over 6 years and has significant recurring revenue from this customer. Revenues have increased from £1.0 million in 2008 to over £3.7 million in 2010.

4. Key strengths of the Group

Platform

The Group has a secure platform on which to develop its business and has progressed to date by leveraging the profitable, cash generative Geospatial business whilst developing its RTLS technologies. The Geospatial contracts typically have a duration of 1-2 years and a substantial number of those contracts are recurring. The revenue generated by the Geospatial business has allowed Ubisense to reduce its need for outside investment in the early stages of its development.

Customer Base

Ubisense has large manufacturing and industrial companies in its existing customer base. The Directors believe considerable opportunities exist for further revenue generation within its current customer base by developing global framework contracts (as has been done with BMW). Key customers of the Group's RTLS division include:

- Atlas Copco, a strategic partner with an OEM contract and Atlas Copco has installations in almost every automotive manufacturing plant around the globe

- EADS has selected Ubisense's product as its strategic RTLS and several Airbus programs including the A380, A350, A320 and A400M have begun deployments
- BMW Group, where BMW has installed Ubisense's product in a number of its plants

The Geospatial division has high customer loyalty not least because the cost of a customer switching to an alternative software provider is often prohibitive due to the large effort and unreliability of migrating data to a new software package. Key customers of the Group's Geospatial division include:

- Deutsche Telekom, where Ubisense is its strategic network partner
- Duke Energy, where Ubisense is its strategic network partner

Reputation

Ubisense's RTLS product is proven in industrial environments and Ubisense currently has numerous blue chip customers and has received a number of awards in recent times including:

- DTI Smart Award 2003 & DTI R&D Grant 2004
- EU FP7 project awards
- Frost and Sullivan – Product Innovation of the Year 2007
- RTLS won 2009 “Best British Inside” DTI iAward
- IET 2009 innovation finalist
- Ranked 8th in the Sunday Times Microsoft Tech Track 100 2009
- Deloitte Technology Fast 50 for the third successive year
- Richard Green – Ernst & Young Science and Technology Entrepreneur of the Year 2010
- Business Weekly – International Trade Business of the Year 2010
- Cambridge Computer Ring – Business of the Year 2010

Management

The Board has experience in growing early stage technology businesses into successful and profitable companies. Several members of the Board have previously founded, grown and then subsequently sold technology businesses. The Directors intend to apply the experience and knowledge they have gained with a view to driving the Group's future corporate growth and increasing shareholder value.

Experience

A number of employees of the Group have over 20 years of experience in the location solutions space and its technology is backed up by highly skilled and experienced consultants.

Technology

The Directors believe the Group's RTLS product is currently one of the most accurate and reliable solution available to support high value manufacturing and industrial processes indoors. The Directors believe competing technologies do not currently provide a solution as accurate and reliable as Ubisense's RTLS product.

Intellectual Property

Ubisense has assembled a considerable set of proprietary intellectual property relating to its RTLS product. This set includes patents (both granted to the Company and licensed by the Company), trade secrets and know-how, and trademarks. This intellectual property serves to act as a barrier to prevent other companies from easily and/or quickly developing systems which match the performance and reliability of Ubisense's RTLS.

Ubisense has been granted three patents relating to its RTLS technology and applications thereof in the US (for a “System for detecting intruders in a populated space”, a “Location device and system using UWB and non-UWB systems”, and a “Location system”). Ubisense has also been granted equivalent patents in Europe for the “System for detecting intruders in a populated space”. In addition, the Company has applied for a number of patents worldwide to protect important aspects of its RTLS technology.

The Company has also licensed a number of patents from Cambridge Consultants Limited (a company owned by Altran Technologies) which include the patents relating to the UWB sensor. These licenses have been granted until 31 December 2025.

Application into other markets

Although Ubisense’s RTLS technology has, to date, been most widely accepted by large scale industrial manufacturers and transport companies, the technology has also been used in other environments such as agriculture (dairy animal welfare) and theatre. The Directors believe Ubisense’s technology could be increasingly adopted into a variety of new markets such as energy, defence, security, healthcare, retail, sport and shipping.

5. Market size

RTLS

The Directors believe that the market for indoor dynamic RTLS has the potential to grow rapidly. A study by IDTechEx in 2008 stated that the RTLS market could be worth over \$2.7 billion by 2018.

Automotive industry

In 2008-2009 alone, an estimated 61 million vehicles were produced in approximately 570 automotive assembly plants across the globe. With traditional systems delivering an accuracy of several metres in non-Ubisense plants (accurate enough to identify the approximate parking slot of a vehicle in the car park), the potential for additional savings by using Ubisense’s far more accurate solution in process control and monitoring applications are compelling and this represents a significant market opportunity which Ubisense is well positioned to exploit.

Aerospace industry

The global economic downturn had a significant adverse impact on the aviation manufacturing market with worldwide shipments of aircraft declining in each of the last three years. This does not reflect the fact that deliveries of large-cabin long-range aircraft remained relatively stable. In 2010, 2,015 aircraft were delivered to customers around the globe, an average of 5.5 aircraft delivered every day. Total aggregate revenue for aircraft manufacturers in 2010 was \$19.7 billion.

Airbus and Boeing dominate the large jet airliner market, delivering 510 and 462 airplanes respectively in 2010. Boeing has three assembly lines located at Everett, Renton and North Charlestown, US. The major Airbus plants are located at Toulouse in France, Hamburg in Germany and Tianjin in China. Parts for each airplane are delivered to these assembly lines from component manufacturers globally.

The applications of RTLS are wide ranging and Ubisense is well positioned to capitalise on the proven, expanding RTLS markets with its existing customers and partners and also to diversify and apply the technology to new markets.

Geospatial

Traditional GIS provides mapping, geocoding, routing and reporting alongside a service and consulting offering. The worldwide market for GIS/Geospatial services in the telecommunications and utility sector was estimated at being worth US\$490 million in 2010 and is expected to grow to US\$522 million in 2011. The static outdoor location technology market that the Geospatial division covers is estimated to be worth more than \$5 billion by 2018 (*source: Daratech*).

Ubisense has a strong relationship with GE Smallworld, a market leading player in the telecommunication and utility markets. Smallworld provides the foremost Geospatial solution for sophisticated utility network applications and accounts for an estimated 38.7 per cent. of that market (*source: Daratech*). Integration, through Smallworld, with software such as Google Maps and the ability to operate Ubisense myWorld on smart phones and tablets gives Ubisense a strong competitive position in a rapidly developing market.

6. Competition

Whilst GPS-based tracking solutions work well outdoors, they are not well suited for indoor use because, in order to operate with reasonable accuracy, they require a line-of-sight to satellites.

In indoor environments, there are three types of location solution which are commonly used for tracking:

- Passive RFID systems which locate the presence of a tag in close proximity to the location of the signal reader/energiser. Transport for London's Oystercard is an example of this kind of 'chokepoint'-type solution.
- Dedicated active identification systems using radio or ultrasound to determine proximity of a tag to a reader over a longer distance. These systems, sometimes categorised as "active RFID" can detect the presence of a tag some distance (e.g. 30 metres) away from the reader(s).
- Active identification systems which 'piggy-back' on existing wireless services, such as WiFi. Signals from the network participants (e.g. WiFi cards) are monitored to determine their location relative to the basestations (which normally have been installed for communications purposes). Although in principle these systems can re-use existing indoor communications infrastructure for location purposes, they again are typically unable to provide a precise location for objects inside buildings.

7. Ubisense's technology

The existing technologies described in section 6 above can typically track an object to within a few metres, however Ubisense's precise tracking differs because it is able to track objects to within just 15 cm (6 inches). The multiple sensors in the Ubisense RTLS operating environment enable tracking in three dimensions and the Board believes that UWB based RTLS delivers reliable accuracy together with the ability to track resources in real-time in three dimensions.

Wireless technology can be used to continuously determine and track the location of assets and personnel in real-time. Ubisense's RTLS solution typically utilises battery-operated radio tags and a cellular locating system to detect the presence and location of the tags using angle-of-arrival and time-difference-of-arrival measurement technology. Ubisense's locating system is usually deployed as a matrix of locating devices (or sensors) that are installed at a spacing of anywhere from 20 to 100 metres depending on the site layout. These sensors determine the locations of the radio tags.

Ubisense tags employ a unique dual-radio architecture. Tags transmit UWB radio pulses, which are used to determine location, and have a conventional bi-directional 2.4GHz radio which is used as a control and telemetry channel.

The Ubisense RTLS solution consists of the following four major components:

- tags;
- sensors;
- location platform; and
- application software.

Ubisense tags are small rugged devices specifically designed for use in harsh industrial environments, or other specific applications, and are attached to the object to be tracked. The Group supplies a number of different tags (e.g. Compact Tag, Slim Tag, Industrial Tag, Intrinsically Safe Tag, Tool Tag and Tag Module). The tags have controllable update rates from as fast as 33 updates per second to as slow as one update every 7 minutes. Update rates can be varied in real time by application programs in response to tag activity or external events. Ubisense tags include a sensitive tremble switch that enables a "sleep mode". Using sleep mode, a tag consumes almost no battery when stationary, but can be tracked many times a second when moving.

Ubisense sensors (e.g. Series 7000 sensor with various ingress protection (IP) ratings) contain an array of antennas and UWB radio receivers to calculate the location of the tags based on reception of the detected UWB signals transmitted from the Ubisense tags. The sensors pass the location information they generate over standard Ethernet networks to Ubisense's platform software which manages and processes the information to generate application-relevant spatial events (such as "Tool X is now being used to assemble Car Y").

Cellular techniques through the hardware and software architecture help the system maintain the required real-time response even when large numbers of location events are being processed. The software service elements run on Microsoft Windows (XP, Vista or Windows 7) or Linux, and the platform presents a .NET API that allows easy development of location-driven applications that use the Ubisense RTLS.

Ubisense's UWB tracking systems use combined angle-of-arrival and time-difference-of-arrival measurement technology. When compared with competitors' systems, that use only time-difference-of-arrival technology, Ubisense gathers more readings from each sensor for better error elimination and higher accuracy. Ubisense also provides systems operators with full visibility of sensor operation. Ubisense tools display all sensor readings graphically in 2D or 3D, and simulate the effects of configuration changes, making it easy to spot errors and optimise performance.

8. Business strategy and future opportunities

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.

RTLS

There are an estimated 570 automotive assembly plants worldwide which produced an estimated 61 million vehicles produced globally in 2008-9. Multiple options of the same model mean that there are enormous possible production variants leading to increased potential for human error or sub-optimal process efficiencies. As such, the Directors believe there is a significant opportunity to increase the penetration of the Group's RTLS offering within the automotive sector by leveraging its existing customers as well as targeting new manufacturers seeking cost savings and efficiency improvements. For example, BMW currently uses Ubisense's RTLS systems in two of its assembly plants and is due to commence installation in its Shenyang plant in China and has recently begun in the Mini plant at Cowley, Oxford. The Group, together with its partner IBS AG in Germany, recently signed a global licence agreement with BMW which will mean that the Group has the framework to provide RTLS to all assembly plants across the BMW Group.

The opportunity also exists to target new customers, including, Daimler, GM, Hyundai Kia and Audi through the strategic partnership that the Group has developed with Atlas Copco. The Group's ability to leverage Atlas Copco's brand, customer base and sales capabilities will be important in maximising the value from the strategic partnership. Through its relationship with Atlas Copco, the Company is carrying out pilot schemes with Daimler at its Rastatt assembly plant, with GM at its Lansing plant, with Hyundai Kia at its Montgomery assembly plant and with Audi in Ingolstadt and Neckarsulm. In total, Daimler has 12 assembly plants, GM has 19 assembly plants, Hyundai Kia has 10 assembly plants and Audi has 6 assembly plants (although Audi is part of the much larger VW group which the Group also intends to target). Additionally, Ubisense and Atlas Copco are in discussions with other major motor manufacturers such as Ford and Volvo.

Beyond the automotive industry, Ubisense is seeking to expand on its existing relationship with Airbus and its ultimate parent company EADS Group. The Group signed a framework agreement in 2009 which set out strategic purchasing conditions. Specifically, Ubisense is currently in discussions with EADS Group regarding extending the RTLS solution into further sites as well as further work for Eurocopter in asset management.

The Directors believe that, having seen the beginnings of significant demand for high precision location solutions within the automotive industry, that this trend will not only continue within that industry but will continue to expand to other industries, such as the aerospace and transport industries, and that this will provide the Group with significant opportunity for growth.

Ubisense's RTLS solutions have the potential to be used extensively in a number of different areas for example, in agriculture, military training, logistics and health and safety. Ubisense has also found opportunities for its technology in the nuclear power industry (where managers overseeing nuclear clean-up decommissioning work can use the location technology combined with their existing technology to map radiation profiles and provide information to plan work assignments).

Ubisense's RTLS has also been deployed in areas as diverse as military training and simulation of urban combat, tracking and analysing hospital patients movements to help diagnose early dementia, assist with rehabilitation from brain injuries, to record biological and cognitive reactions to pieces of art in a Swiss museum and to identify potential customers at international trade shows. Additionally, Ubisense's RTLS solution has been used to track opera singers to optimise sound balance in the O2 Arena.

Geospatial

The Geospatial division remains an integral part of the Group's business and the Group will seek to grow this business over the medium term. The Geospatial division will aim to establish a leadership position in the geospatial industry and look to continue to grow revenues through accretive investment in new geographic territories and complementary intellectual property.

9. Reasons for the Placing and use of proceeds

The net proceeds of the Placing receivable by the Company are expected to be approximately £4.2 million and are intended to be used as follows:

- (i) to repay the Company's outstanding debt facility;
- (ii) to market and develop new relationships;
- (iii) to allow the development of additional intellectual property in the Group; and
- (iv) to allow the Group to develop, if relevant opportunities arise, through selective acquisition opportunities.

10. Board of Directors and Senior Management

Professor Andrew Hopper CBE– Non-Executive Chairman (aged 58)

Andy is one of the foremost leaders in the technology industry having co-founded twelve successful companies, including Acorn Computers Limited acquired by Olivetti, Virata, Inc. listed on NASDAQ, Adaptive Broadband Limited, acquired by California Microwave, Inc., Cambridge Broadband Limited, Level 5 Networks and RealVNC Limited. Andy is the Professor of Computer Technology and is currently Head of the University of Cambridge Computer Laboratory and a member of the University's Council. Andy has worked on location systems for over 20 years. He was elected as a Fellow of the Royal Society in 2006 and the Royal Academy of Engineering in 1996. Andy was made a CBE in 2007 for services to the computer industry.

Richard Terence Green – Chief Executive Officer (aged 53)

Richard initially trained as a mechanical engineer and has over twenty-five years of experience in the software industry. Having established Smallworld as one of the leading geographic information system companies serving utility and telecoms companies in Europe and the US, the company subsequently listed on NASDAQ in 1996 and was acquired by GE in 2000 for \$214 million. Richard was Ernst & Young UK's Science and Technology Entrepreneur of the Year in 2010. Richard is a Fellow of the Institute of Mechanical Engineers and sits on the Institute of Mechanical Engineers Manufacturing Industries Board. He is also Entrepreneur in Residence at Judge Business School, Cambridge and a Fellow of the Royal Society of Arts.

Gordon Michael Campbell – Chief Financial Officer (aged 43)

Gordon is a Fellow of the Institute of Chartered Accountants in England & Wales. After qualifying with Deloitte in 1995 he moved into the technology industry with Smallworld, where he was part of the team involved in the NASDAQ listing. After leaving Smallworld in 2000 he joined UbiNetics, a 3G telecoms technology company and spin out from PA Consulting, where he was involved in private fundraisings

of £65 million. Gordon joined Ten Sails LLP in 2004 which merged into Ubisense in 2005 and he became CFO in 2009 and joined the board in 2010. He has an M.A. in Engineering from the University of Cambridge.

Peter George Harverson – Non-Executive Director (aged 65)

Peter has held a number of senior international sales and marketing roles in the IT industry. These included Regional Director, Intel Corporation and Vice President Europe, Cadence Design Systems. In 1995 he joined Sun Microsystems where he was responsible for the development of the company's European Corporate Accounts programme. More latterly he became Director of Services Sales – EMEA with a charter to develop new areas of business, including professional services. Peter retired from Sun Microsystems in December 2005. Currently, Peter is a non-executive director of each of Brady plc and CRFS Limited, and a non-executive director and chairman of each of eoSemi Limited and Aspex Semiconductors Limited. Peter is also an adviser to Pulsic Limited and Cambridge IP Limited.

Jonathan Keith Lomas – Non-Executive Director (aged 41)

Keith has more than eighteen years senior management experience in both small and medium sized entrepreneurial and extensive multinational companies. Keith was appointed Managing Director of CLPL in 1996 and, after leading the successful acquisition of UltraVision International in 2003, Keith was appointed as President and CEO of the UltraVision CLPL group. The combined group is one of the largest independent manufacturers and suppliers of contact lenses in Europe. Prior to his involvement in the contact lens world, Keith was an investment banker at S.G. Warburg, Kleinwort Benson and Daiwa Europe. Keith is an active investor in other technology start-up companies. Keith accepted the Queen's Award for Enterprise: Innovation 2006 and 2010 on behalf of UltraVision CLPL.

Dr Richard Gordon Newell – Non-Executive Director (aged 68)

Dick has spent over 30 years in the software industry in Computer aided design (CAD) and Geographic Information Systems (GIS). He co-founded his first company, Cambridge Interactive Systems Limited (CIS) in 1977. CIS was part of what became known as 'The Cambridge Phenomenon'. Dick was a co-founder of Smallworld in 1988. Dick was Chairman of both CIS and Smallworld. He was the original project manager of PDMS, a core product of AVEVA Group plc and is also a Non-Executive Director of UltraVision CLPL.

Dr Robert Daniell Sansom – Non-Executive Director (aged 51)

An active angel investor and mentor to start-ups, Robert is founder of the Cambridge Angels, a group of seasoned technology and bio-technology entrepreneurs who invest in and mentor technology start-ups in the Cambridge area. Previously, Robert was co-founder, CTO and Director of FORE Systems, Inc, a leading provider of networking equipment. FORE was listed on NASDAQ in 1994 and subsequently acquired by Marconi for \$4.5 billion in 1999. Additionally, Robert served as the Chief Technology Officer at Marconi in 1999. Robert is a member of the board of directors of Azuro, Inc., CRFS Limited, Fetch Inc., Moviestorm Limited and Netronome Systems, Inc. He holds a Ph.D. in Computer Science from Carnegie Mellon University and an M.A. in Computer Science from the University of Cambridge.

Paul Ronald Taylor – Non Executive Director (aged 46)

Paul Taylor is a Fellow of the Association of Chartered Certified Accountants. Paul joined AVEVA Group Plc in 1989 and was heavily involved in the flotation process and was responsible for UK accounting and for the development of AVEVA's overseas subsidiaries including adherence to group standards. Between 1998 and 2001, Paul was also UK Director of Human Resources and was appointed to the position of Finance Director and Company Secretary of AVEVA Group plc on 1 March 2001. Before joining AVEVA, Paul trained within the accountancy profession before moving to Philips Telecommunications (UK) where he was responsible for the management accounts of its Public Sectors division. Paul was a recipient of the FTSE250 Finance Director of the Year award and is also a Non-Executive Director of Anite plc.

Management:

Andrew Ward – VP Engineering and Chief Technology Officer

Andy is a founder of Ubisense and an experienced location system engineer having designed, built and worked with in-building location systems for over 18 years. Andy has also pioneered research into the use of Ultra-Wide Band radio for sensor systems and led the ‘Location Technology’ project at AT&T Laboratories Cambridge. Based on his work, he has been granted 11 patents over the past ten years. Andy has a PhD in Sensor Driven Computing from the University of Cambridge and is a Chartered Engineer.

Joerg Poswig – Vice President Geospatial

Prior to joining Ubisense to set up the Europe and Asian operations team, Joerg’s experience included running a large (£30 million) GIS project for Deutsche Telekom. He also ran the European service activities of a business within GE Energy, responsible for 150 Project Managers and Consultants across Europe. Joerg has a PhD in Computer Science from the University of Dortmund.

Russell Chandler – Vice President RTLS

Russ joined Ubisense in 2007 to lead the Group’s Americas operations. During the 1990’s he founded GeoData Solutions, which grew into one of the leading systems integration and application development firms for GIS and related technologies around the world. He served as President and CEO until the company was sold to Navigant Consulting in 1999 and was later combined with Smallworld Systems and acquired by GE. From 2002 until 2007, Russ was President and CEO of TimeCentre, Inc., a leading provider of human resource information systems. Russ has a Masters Degree from San Diego State University and a Bachelors Degree from the University of Colorado, Boulder.

Terence Phebey – Vice President Sales & Marketing

Terry joined Ubisense in 2004 to lead the European and Asian sales activities. During the 1980’s Terry occupied several management positions in Germany and the US at Computervision (now Parametric Technology Corp.). Following this he joined Smallworld in 1991 and built up the German subsidiary from inception driving growth to become market leader with 160 people. Smallworld was sold to GE in 2000 and Terry then lead a European Sales team as Sales Director for a division of GE Energy. Terry has a BA in Mathematics from Oxford University.

Jane Collins – Head of Human Resources

Jane joined Ubisense in 2008 with over 20 years of experience in human resources at both large blue-chip corporations and small technology companies. Prior to joining Ubisense she was the HR Manager for Smallworld and subsequently responsible for the GE Energy Services European Sales Team following the GE acquisition of Smallworld. Jane has a post-graduate diploma in Human Resource Management.

11. Current trading and prospects

The Group has continued to trade in line with its expectations from 31 December 2010 to the date of this document.

RTLS

Following establishment of a global licence agreement, Ubisense has been engaged to deploy its RTLS solution in the BMW assembly plants at Cowley, UK (for the Mini), and Shenyang, China. This is in addition to further RTLS implementations at Spartanburg, US. Orders driven by the Company’s strategic relationship with Atlas Copco have also resulted in installations for Toyota, General Motors, Fiat, VW, Honda and Hyundai.

Deployments of Ubisense’s Visible Industrial Process (VIP) and asset management software across sites at Airbus and Eurocopter, under a framework agreement with the EADS Group, have prompted the creation of a new subsidiary, Ubisense SAS, in France. Additional staff have been recruited in Toulouse to support the installation and deployment across the EADS Group in Toulouse, Marseille and St Nazaire in France and Hamburg in Germany.

New staff, including John Lawson from Cooper Tools and Lyndsey Heavner from Accenture, have been hired to bring further relevant industrial business expertise in the automotive and aerospace markets.

Geospatial

First sales of myWorld by the Geospatial division to Dominion have been secured and a promising pipeline of potential customers has been identified during the recent GE Energy symposium in Salzburg. Additional staff have been hired in the Geospatial division in the US and Germany, whilst additional orders from Deutsche Telekom and Swisscom, along with orders from Atmos Energy have bolstered the Company's order book.

12. Corporate governance

Combined Code

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, the Directors intend to apply the principles as far as practicable and appropriate for a public company of this nature and size. The Board also proposes to follow, as far as practicable, the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM. Details of certain of the main features of the Company's corporate governance procedures which will be effective from Admission are set out in paragraph 9 of Part 4 of this document (which, as noted in such paragraph, will not at Admission be fully compliant with the provisions of the UK Corporate Governance Code).

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. Following Admission, the Directors intend to hold Board meetings 10 times in each year.

Board Committees

The Board has established an audit committee, remuneration committee and nomination committee, with formally delegated duties and responsibilities and with written terms of reference, as further described in paragraph 9 of Part 4 of this document. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Audit Committee

The Audit Committee assists the Board in discharging its responsibilities with regard to corporate governance, financial reporting and external and internal audits and controls, including, amongst other things, reviewing the Company's annual financial statements, reviewing and monitoring the extent of the non audit services undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Company's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half yearly reports remains with the Board.

The membership of the Audit Committee comprises Paul Taylor, Keith Lomas and Dick Newell with Andy Hopper as an observer, and is chaired by Paul Taylor, who is considered by the Directors to have recent and relevant financial experience. The Audit Committee will meet formally at least four times every year and otherwise as required. The Audit Committee will meet with the Company's external auditors at least once each year.

Remuneration Committee

The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Chief Executive, all other executive directors, the company secretary and such other members of the executive management of the Group as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. The remuneration of non-executive directors will be a matter for the executive members of the Board. No Director may be involved in any decision as to their own remuneration.

The membership of the Remuneration Committee comprises Peter Harverson, Keith Lomas, Robert Sansom and Paul Taylor with Andy Hopper as an observer, and is chaired by Peter Harverson. The Remuneration Committee will meet at least twice a year and at such other times as the chairman of the committee shall require.

Nomination Committee

The membership of the Nomination Committee is responsible for leading the process for board appointments and making recommendations to the Board to implement a formal and transparent procedure for the appointment of new directors to the Board.

The Nomination Committee comprises Robert Sansom, Dick Newell, Peter Harverson and Andy Hopper and is chaired by Robert Sansom. The Nomination Committee will meet at least twice a year and at such other times as the chairman of the committee shall require.

Share dealing code

The Company has adopted and will operate a share dealing code for Directors and applicable employees in order to ensure compliance with Rule 21 of the AIM Rules for Companies and will take proper steps to ensure compliance by the Directors and those applicable employees (as defined in the AIM Rules for Companies).

13. The Placing and the Additional Shares

Under the Placing Agreement, Canaccord Genuity has agreed, as agent for the Company, to use reasonable endeavours to procure placees for the New Placing Shares at the Placing Price. Further details of the terms of the Placing Agreement are set out in paragraphs 10.2 to 10.6 of Part 4 of this document.

In addition, pursuant to the Selling Shareholder Agreements, Canaccord Genuity has agreed, as agent for each Selling Shareholder, to use reasonable endeavours to procure placees for the Selling Shareholders Shares at the Placing Price.

The Placing comprises an aggregate 2,777,778 New Placing Shares being issued by the Company and 2,040,089 Selling Shareholder Shares being sold by the Selling Shareholders. Further details of the Selling Shareholders are set out in paragraph 11 of Part 4 of this document.

The aggregate proceeds of the Placing of the New Placing Shares will be approximately £5.0 million before expenses, of which £4.2 million (net of expenses) will be receivable by the Company. Canaccord Genuity has received conditional commitments from institutional and other investors for 4,817,867 Placing Shares at the Placing Price.

The Placing is conditional, amongst other things, upon Admission and the Placing Agreement becoming unconditional and not being terminated in accordance with its terms.

As a result of arrangements entered into between the holders of the Convertible Loan and the Company and HSBC Bank plc and the Company, on Admission, the Convertible Loan will automatically convert into 963,320 Ordinary Shares and 115,350 Ordinary Shares will be issued pursuant to the exercise of the HSBC Warrants. Accordingly, on Admission, the Company will have 21,421,758 Ordinary Shares in issue and a market capitalisation of approximately £38.6 million on the basis of the Placing Price. Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 22 June 2011.

The New Placing Shares and the Additional Shares will rank *pari passu* with the Existing Ordinary Shares including the rights to all dividends and other distributions declared, paid or made after the date of issue. The Placing has not been underwritten.

14. The City Code on Takeovers and Mergers (“Takeover Code”)

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person

holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

Further information on the provisions of the Takeover Code can be found in paragraph 16 of Part 4.

15. CREST

Application has been made for all of the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. Application has been made for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the individual shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

It is expected that, subject to the satisfaction of the conditions to the Placing, the Placing Shares will be registered in the names of the placees subscribing for them and issued or transferred whether:

- (a) in certificated form, where the placee so elects, with the relevant share certificate expected to be despatched by post, at the placee's risk, by 6 July 2011; or
- (b) in CREST, where the placee so elects, and only if the placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares expected to take place on 22 June 2011.

Pending despatch of definitive share certificates, the Registrars will certify instruments of transfer against the register. No temporary documents of title will be issued.

16. Lock-in arrangements

Immediately following Admission, the Directors, will be interested, in aggregate, in 5,005,901 Ordinary Shares, representing approximately 23.4 per cent. of the Enlarged Share Capital of the Company. The Directors have undertaken to the Company and Canaccord Genuity that, subject to certain limited exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their respective interests in the Ordinary Shares held immediately following Admission at any time prior to the first anniversary of Admission.

17. Dividend policy

The Board intends to adopt a dividend policy appropriate to the Company's financial performance. This will take into account its ability to operate and grow and the need to retain a prudent level of cash resources. Any profits are likely to be retained and used towards the development of the Group's activities and business for the foreseeable future.

18. Share Schemes and Management Incentive Arrangements

In order to incentivise its employees, the Group operates the Share Option Scheme for employees in the UK and the Equity Incentive Plan for US employees. The Company has also entered into Unapproved Option Agreements with employees in the UK, Canada and Germany. In all material respects the three types of arrangement mirror each other. Share options over a total of 2,150,490 Ordinary Shares at exercise prices ranging from £0.14 to £1.05 per Ordinary Share have been granted to employees and directors of the Company or its subsidiaries, and remain outstanding. Further details are set out in paragraph 4 of Part 4 of this document.

The Board believes that the retention of senior management will be a key driver to the success of the Company. Consequently, the Company intends to review its employee share option arrangements following Admission. It is likely that further share options will be granted to incentivise employees. Any further share options to be granted will be under terms normally applicable to share options granted by companies quoted on AIM.

19. Taxation

Your attention is drawn to the taxation information set out in paragraph 15 of Part 4 of this document.

20. Taxation reliefs for investors

The Company has received provisional approval from HM Revenue & Customs that the Placing Shares are capable of being a “qualifying holding” for the purpose of investment by a VCT.

21. Further information

Your attention is drawn to the further information set out in Parts 2, 3 and 4 of this document. You are advised to read the whole of this document rather than relying on the summary information set out on page 9 of this document. In particular, the attention of prospective investors is drawn to Part 2 of this document which contains a summary of the risk factors relating to an investment in the Company, to Part 3 of this document which contains historical financial information of the Company and an accountants' report thereon, and to Part 4 of this document which contains further information on the Group.

PART 2

RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial conditions, results or future operations could be materially adversely affected. In such cases, the market price of the Company's shares could decline and an investor may lose part or all of his or her investment.

Risks specific to the Group

Technological risks

The Group operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological development may reduce the importance of the Group's function in the market or render the patents on which it relies redundant. For instance, the Group's real time location systems rely on ultra-wideband radio signals to operate. There is no guarantee that technological advances will not render systems based on ultra-wideband radio obsolete.

Staying abreast of technological changes may require substantial investment. The Group's existing reference designs may become obsolete or may be superseded by new technologies or changes in customer requirements. The technology used in the Group's products is still evolving and is highly complex and may change rapidly. Research and development by other companies may render any of the Group's products in development or currently available obsolete.

Intellectual property protection

The Group has a number of trade marks registered, and is pursuing registration of a number of marks, in the major territories in which it operates. The Group also has a patent portfolio comprising a number of patents filed in territories worldwide. Should a third party successfully demonstrate priority over any of these rights, it could inhibit the Group, or the Group's customers, from selling products in certain territories.

Any failure to protect the Group's intellectual property may result in another party copying or otherwise obtaining and using its proprietary technology without authorisation. There may not be adequate protection for the intellectual property in every country in which the Group's products are made available and policing unauthorised use of proprietary information is difficult and expensive. Due to the Group's size and limited cash resources, it may not be able to detect and prevent infringement of its intellectual property.

In addition, some of the Group's patents are licensed from a third party. The terms of that licence are on relatively standard commercial terms. However, there can be no guarantee that such third party will adequately maintain such patents and therefore the protection and benefit afforded to the Company by such patents cannot be guaranteed.

The steps which the Group has taken to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary technology. Any misappropriation of the Group's intellectual property could have a negative impact on the Group's business and its operating results. Furthermore, the Group may need to take legal action to enforce its intellectual property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others. Litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third party rights, may result in substantial costs and the diversion of resources and management attention and there can be no guarantees as to the outcome of any such litigation.

Reliance on third parties, including manufacturers

The Group relies on third party equipment manufacturers in the completion of its products, and therefore does not always have complete control over the equipment and materials it requires to comply with its obligations under customer contracts. To the extent that the Group cannot acquire equipment or materials according to its plans and budgets, its ability to complete its work for its customers within the timetable laid down by the contract or at a profit may be impaired. If a manufacturer is unable to deliver the products for any reason, the Group may be required to purchase such equipment or materials from another source at a higher price. The resulting additional costs may be substantial and the Group may be in breach of its contracts with customers, which may result in a financial loss on a particular contract or a loss of business. In addition, any resulting failure to fulfill contracts with customers and other business partners may have an adverse effect on the Group's future profitability and reputation.

AsteelFlash (Bedford) Limited (formerly MRP Electronics plc) supplies more than 75 per cent. of the RTLS components required annually by the Group. If AsteelFlash (Bedford) Limited were to halt production for any reason (including, but not limited to, as a result of any failure in the supply of materials and components to AsteelFlash (Bedford) Limited) and the Group was unable to source an alternative suitable supplier, the Group would not be able to fulfil those contracts dependant on the goods and/or services supplied by AsteelFlash (Bedford) Limited. The Directors keep this situation under regular review and will, as appropriate, take appropriate steps to mitigate this risk.

Dependence on key executives and personnel

The Group's development and prospects are dependent upon the continued services and performance of its Directors, senior management and other key personnel. In addition, from time to time the services of the Group's geospatial consultants are supplemented by the hire of external consultants. The loss of the services of any of the Directors, senior management or key personnel or a substantial number of talented employees or key consultants, could cause disruption or the loss of experience, skills or customer relationships of such personnel, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Ability to recruit and retain skilled personnel

The Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the efficient management and development of the Group. However, any difficulties encountered in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

Reliance on key systems

The Group's business relies on various key systems, including software. If the Group's access to or use of these systems was restricted or terminated the Group would have to incur expense sourcing suitable replacement and/or alternative systems, and time in relation to staff training, which could have an adverse effect on the Group's business, operation and financial position.

Growth management and acquisitions

The Directors believe that further expansion, either organic or via acquisition, will be required in the future to capitalise on the anticipated increase in demand for the Group's systems. The Group's future success will depend, in part, on its ability to manage this anticipated expansion. Such expansion is expected to place demands on management, support functions, accounting, sales and marketing and other resources. If the Group is unable to manage its expansion effectively, its business and financial results could suffer.

Potential requirement for further investment

Any future expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. Debt funding may require assets of the Group to be secured in favour of the lender, which security may be exercised if the Group were to be unable to comply with the terms of the relevant debt facility agreement. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned expansion, activity and/or business development.

Market risks

The Group faces competitive and strategic risks that are inherent in a rapidly growing emerging market. The Group's products are complex and may contain undetected defects when first introduced and problems may be discovered from time to time in existing, new or enhanced products. Undetected defects could increase the Group's costs or reduce revenues.

The Group's success will depend on market acceptance of the Group's products and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

Dependence on key contracts

The success of the Group will depend to a large extent on the performance of its current and future contracts. In addition, the Group is dependent on a number of key contracts and customer relationships for its current and future growth and development. In the financial year to 31 December 2010 the Group's ten largest customers accounted for 64.8 per cent. of the Group's revenue. There can be no assurance that these customer relationships will continue or that the revenue that the Directors expect to generate from these relationships will materialise. Similarly, there is no guarantee that any of the contracts the Directors anticipate signing with customers or suppliers will be entered into despite initial indications from these entities that this will be the case and that if contracts are entered into with any such potential customers and/or suppliers that they will generate significant revenue. The Group's operating plan and future results could be hindered if this were to be the case and replacement customers and suppliers of equal ability could not be found at the same cost or on the same terms.

Competition

The Group competes with other companies. Current and potential competitors may have substantially greater financial, technical and marketing resources, longer operating histories, larger customer bases, greater name recognition and more established relationships than the Group and so may be better able to compete in the Group's target markets.

Trade restrictions

The Group enters into a number of contracts which can contain onerous terms, for example, significant warranty and indemnity provisions, restrictive covenants and "most favourable treatment" clauses. The Board takes all reasonable steps to ensure that such terms are within the Group's commercial parameters and that the contracts that are entered into advance the Group's financial and/or commercial position. However, these provisions can, in certain circumstances, be unduly burdensome or restrict the availability

of commercial and business opportunities that may otherwise have been available to the Group. Such terms may not always be legally enforceable. However, due to the Group's relative negotiating position, the Group has, to date, decided not to seek to resist the impact of such terms.

Reputation

The Group's reputation is central to its future success, in terms of the services and products it provides, the way in which it conducts its business and the financial results which it achieves. Failure to meet the expectations of its clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Group's reputation and future revenue.

Profits

For the year ended 31 December 2010 the Group made a net profit of £398,000. Although the Directors are confident about the prospects of the Group to continue to make a profit, there can be no certainty that the Group will make one in the short or medium term or at all. Any such profits are likely to be retained and used towards the development of the Group's activities and business for the foreseeable future. Your attention is also drawn to the risk factor immediately below regarding the Group's dividend policy.

Dividends

The Company's current policy is not to pay dividends. There can be no assurance as to the level of future dividends (if any) that may be paid by the Company. Any determination to pay dividends in the future will be a decision for the Board (and, except in the case of an interim dividend, will be subject to Shareholder approval) and may depend upon the Group's contractual restrictions, restrictions imposed by applicable law and generally accepted accounting principles from time to time, and other factors the Board deems relevant.

The payment of dividends by the Company is subject to its having sufficient distributable reserves and cash for such purpose, each of which will depend on the underlying profitability of the Group.

Directors

The Directors have and may have in the future additional professional responsibilities and as such, may experience conflicts of interest and demands on their time to the possible detriment of the Group.

The Group's objectives may not be fulfilled

Although the Group has a clearly defined future strategy there can be no guarantee that its objectives will be achieved. The failure of the Group to fulfil its strategy as currently anticipated (whether in whole or in part) may have an adverse effect on future Group revenue.

The Company has discretion as to the use of the net proceeds receivable by the Company from the Placing and may not use these funds in a manner Shareholders would prefer

The Company's management will have broad discretion in how it applies the net proceeds receivable by the Company from the Placing. In addition, the Company is unable to determine how much of the net proceeds will be used for any identified purpose because circumstances regarding its planned use of the proceeds may change, although the Directors currently have no intention of deploying the funds towards any purpose other than those referred to in Part 1. Investors will not have the opportunity to evaluate the economic, financial or other information on which the Company bases its decisions on how to use the net proceeds. The failure of the Company's management to apply these funds effectively could harm investor confidence and cause the price of the Ordinary Shares to decline.

Transfer pricing

There is a risk that amounts paid or received under intra-group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, or be disregarded for the purposes of calculating tax which may increase the Group's taxable income or decrease the amount of relief available to the Group with a consequential negative effect on its financial and operating results.

Venture Capital Trust status

The Company has received from HM Revenue & Customs provisional approval that the Company should be a “qualifying holding” for the purposes of the VCT legislation under Part 6 Chapter 4 of the Income Taxes Act 2007, and that the Ordinary Shares will be eligible shares for the purposes of section 285(3) Income Taxes Act 2007.

The provisional approval relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The conditions for relief are complex and depend not only upon the qualifying status of the Company, but upon certain factors and characteristics of the VCT concerned.

The status of the Ordinary Shares as a “qualifying holding” for VCT purposes will be conditional, *inter alia*, upon the Company and the VCT continuing to satisfy the relevant requirements, including the use of VCT funds for UK trading activities and acquisitions only.

Neither the Company nor the Company’s advisers are giving any warranties or undertakings that VCT qualifying status will be available in respect of this Placing, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of the Company are not best served by acting in a way that preserves the VCT qualifying status (if granted). In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status.

Should the law regarding VCTs change then any relief or qualifying status previously obtained may be lost.

Where provisional approval is given by HM Revenue & Customs, the qualifying holding status of the Company under the VCT legislation could be prejudiced if the Company ceases to carry on the business outlined in this document at any time whilst held as a qualifying holding by VCTs.

Any person who is in any doubt as to their taxation position should consult their professional taxation adviser.

Risk of overseas tax liabilities

There is a risk that the Group may be subject to historic and ongoing tax liabilities arising from the activities of the Group in certain jurisdictions. While the Directors believe the nature and extent of any such potential liabilities to be small, in the absence of any further investigation or review by the Group, the risk remains unquantifiable.

Operating Losses

The Group has had, and expects to continue to have in the future, the benefit of tax losses carried forward from prior years. Tax legislation governing the usability of losses carried forward in the jurisdictions in which the Group operates is complex and includes, amongst other things, the possibility that the use of losses may be restricted whenever changes in ownership occur or changes in the nature of the business occur. As the Company (being the ultimate holding company of the companies in the Group that are carrying the tax losses) may have undergone a change in ownership as a result of its various fundraising activities, there is a possibility that some or all of the tax losses utilised or to be utilised by companies in the Group may be subject to challenge and may be found to be restricted. If such a challenge were to materialise, there is a potential risk of a material tax exposure to the Group. However, the Directors believe the likelihood of such risk materialising to be small and that, in any event, they believe the Group has sufficient financial resources to fund such a tax liability if it were to become payable.

General risks

Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group’s products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group’s sales, restricting the Group’s ability to realise a profit.

In particular, it should be noted that a large number of the Group's major clients operate in the automotive industry. A downturn in the demand for new vehicles may result in a fluctuation of the demand for the Group's products in this field which would, in turn, restrict the Group's ability to make a profit.

Taxation

Statements in this document in relation to tax and concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change.

The taxation of an investment in the Company depends on the specific circumstances of the relevant investor.

Changes in tax laws or their interpretation could affect the Group's financial condition or prospects

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group. For example, the Group currently benefits from enhanced deductions on its UK research and development activities for UK corporation tax purposes, which are of significant benefit to the taxation position of the Group. Should this tax relief be amended or removed in future years then this would have an effect on the amount of tax payable by the Group.

AIM

AIM securities are not admitted to the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

Investment risk

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all of his/her investment.

Investors should be aware that, following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Group's operating performance or the overall performance of the sector in which the Group operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets, and the

price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others of which may be outside the Group's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Group's business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Placing Price.

Illiquidity

There will have been no public trading market for the Ordinary Shares prior to Admission. The Ordinary Shares may therefore be illiquid in the short to medium term and, accordingly, an investor may find it difficult to sell Ordinary Shares, either at all or at an acceptable price. Further, the Group can give no assurance that an active trading market for the Ordinary Shares will develop, or if such a market develops, that it will be sustained. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares. The market price of the Ordinary Shares may drop below the Placing Price. Any investment in the Ordinary Shares should be viewed as a long term investment.

Exchange rate risk

Exchange rate fluctuations could have a material adverse effect on the Group's profitability or the price competitiveness of its products and services. There can be no guarantee that the Group would be able to compensate or hedge against such adverse effects and therefore negative exchange rate effects could have a material adverse effect on the Group's business and prospects, and its financial performance.

Litigation risks

Whilst the Group has taken, and the Company intends the Group to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group.

There can be no assurance that claimants in any litigation proceedings will not be able to devote substantially greater financial resources to any litigation proceedings or that the Group will prevail in any such litigation. Any litigation, whether or not determined in the Group's favour or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

PART 3
FINANCIAL INFORMATION

PART A

**ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION
OF THE GROUP**

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16 June 2011

Dear Sirs

Ubisense Group plc

We report on the financial information set out in Part B of Part 3 of the AIM Admission Document. This financial information has been prepared for inclusion in the AIM Admission Document dated 17 June 2011 of Ubisense Group plc on the basis of the accounting policies set out in note 3 of the financial information and covers the three years ended 31 December 2008, 2009 and 2010.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM Admission Document.

The Directors of Ubisense Group plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 17 June 2011, a true and fair view of the state of affairs of Ubisense Group plc as at the dates stated and of its results, other gains and losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with the applicable reporting framework as described in note 2 and has been prepared in a form that is consistent with the accounting policies adopted in Ubisense Group plc's latest annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

PART B

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

The financial information set out below of the Company and its subsidiary undertakings for the three years ended 31 December 2010 has been prepared by the Directors of the Company on the basis set out in note 2.

Ubisense Trading Limited was re-registered as Ubisense Group plc on 31 May 2011.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory accounts within the meaning of section 434 of the Act.

Consolidated Income Statement

	<i>Notes</i>	<i>31/12/08 £'000</i>	<i>31/12/09 £'000</i>	<i>31/12/10 £'000</i>
Revenue	5	9,693	14,985	17,697
Cost of Sales		(6,323)	(9,658)	(11,762)
Gross Profit		3,370	5,327	5,935
Administrative expenses		(4,090)	(4,397)	(5,308)
Operating Profit/(Loss)		(720)	930	627
Finance income	20	12	16	5
Finance costs	20	(275)	(230)	(237)
Profit/(Loss) before tax	6	(983)	716	395
Income tax	21	117	157	3
Profit/(Loss) for the year attributable to the owners of the parent		<u>(866)</u>	<u>873</u>	<u>398</u>

All operations are continuing operations.

Consolidated Statement of Comprehensive Income

	<i>31/12/08 £'000</i>	<i>31/12/09 £'000</i>	<i>31/12/10 £'000</i>
Profit/(loss) for the year	(866)	873	398
Other comprehensive income			
Foreign exchange on consolidation	(152)	48	(29)
Total comprehensive income for the year attributable to the owners of the parent	<u>(1,018)</u>	<u>921</u>	<u>369</u>

Consolidated Statement of Financial Position

	<i>Notes</i>	<i>2008</i> <i>£'000</i>	<i>2009</i> <i>£'000</i>	<i>2010</i> <i>£'000</i>
Non-current assets				
Goodwill	7	6,069	6,069	6,069
Other intangible assets	8	390	424	525
Property, plant and equipment	9	247	162	279
Total non-current assets		<u>6,706</u>	<u>6,655</u>	<u>6,873</u>
Current assets				
Inventories	13	292	264	364
Trade and other receivables	14	2,695	3,656	6,900
Cash and cash equivalents	15	2,052	2,396	7,130
		<u>5,039</u>	<u>6,316</u>	<u>14,394</u>
Total assets		<u>11,745</u>	<u>12,971</u>	<u>21,267</u>
Current liabilities				
Loans and borrowings	11	—	244	2,372
Trade and other payables	19	3,604	2,930	5,974
		<u>3,604</u>	<u>3,174</u>	<u>8,346</u>
Non-current liabilities				
Loans and borrowings	11	2,869	3,379	1,246
Deferred tax	12	109	119	140
		<u>2,978</u>	<u>3,498</u>	<u>1,386</u>
Total Liabilities		<u>6,582</u>	<u>6,672</u>	<u>9,732</u>
Net assets		<u>5,163</u>	<u>6,299</u>	<u>11,535</u>
Equity				
Equity attributable to owners of the parent company				
Share capital	16	235	235	304
Share premium account		9,773	9,773	14,550
Equity reserve		357	499	502
Option reserve		455	528	546
Foreign exchange reserve		(114)	(66)	(95)
Retained earnings		<u>(5,543)</u>	<u>(4,670)</u>	<u>(4,272)</u>
Total equity		<u>5,163</u>	<u>6,299</u>	<u>11,535</u>

Consolidated Statement of Cash Flows

	<i>Notes</i>	<i>31/12/08</i> <i>£'000</i>	<i>31/12/09</i> <i>£'000</i>	<i>31/12/10</i> <i>£'000</i>
Operating activities				
Profit before tax		(983)	716	395
Adjustments	22	326	776	634
Net changes in working capital	22	1,133	(1,607)	(335)
Taxes received		121	167	32
Cash flow from operating activities		<u>597</u>	<u>52</u>	<u>726</u>
Investing Activities				
Purchase of property, plant and equipment		(89)	(46)	(218)
Purchase of intangible assets		(258)	(302)	(400)
Interest received		12	16	5
Cash flow from investing activities		<u>(335)</u>	<u>(332)</u>	<u>(613)</u>
Financing activities				
Proceeds from issue of borrowings		1,108	780	150
Repayment of borrowings		(37)	—	(255)
Interest paid		(184)	(114)	(108)
Proceeds from issue of share capital		—	—	4,846
Cash flow from financing activities		<u>887</u>	<u>666</u>	<u>4,633</u>
Net change in cash and cash equivalents from continuing operations		<u>1,149</u>	<u>386</u>	<u>4,746</u>
Cash and cash equivalents at beginning of year		756	2,052	2,396
Exchange differences on cash and cash equivalents		147	(42)	(12)
Cash and cash equivalents at end of year		<u><u>2,052</u></u>	<u><u>2,396</u></u>	<u><u>7,130</u></u>

Consolidated Statement of Changes In Equity

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Equity Reserve £'000</i>	<i>Option Reserve £'000</i>	<i>Foreign Exchange Reserve £'000</i>	<i>Profit and loss account £'000</i>	<i>Total Equity £'000</i>
At 1 January 2008	235	9,773	289	421	38	(4,677)	6,079
Increase in Option Reserve	—	—	—	34	—	—	34
Equity Component of Loans	—	—	68	—	—	—	68
Transactions with owners	—	—	68	34	—	—	102
Loss for the year	—	—	—	—	—	(866)	(866)
Foreign Exchange on consolidation	—	—	—	—	(152)	—	(152)
Total comprehensive income for the year	—	—	—	—	(152)	(866)	(1,018)
At 31 December 2008	235	9,773	357	455	(114)	(5,543)	5,163
Increase in Option Reserve	—	—	—	73	—	—	73
Equity Component of Loans	—	—	142	—	—	—	142
Transactions with owners	—	—	142	73	—	—	215
Profit for the year	—	—	—	—	—	873	873
Foreign Exchange on consolidation	—	—	—	—	48	—	48
Total comprehensive income for the year	—	—	—	—	48	873	921
At 31 December 2009	235	9,773	499	528	(66)	(4,670)	6,299
Increase in Option Reserve	—	—	—	18	—	—	18
Equity Component of Loans	—	—	3	—	—	—	3
Issue of share capital	69	—	—	—	—	—	69
Net premium on new share capital subscribed	—	4,777	—	—	—	—	4,777
Transactions with owners	69	4,777	3	18	—	—	4,867
Profit for the year	—	—	—	—	—	398	398
Foreign Exchange on consolidation	—	—	—	—	(29)	—	(29)
Total comprehensive income for the year	—	—	—	—	(29)	398	369
At 31 December 2010	304	14,550	502	546	(95)	(4,272)	11,535

Notes to the Historical Financial Information

1. Corporate Information

Ubisense Trading Ltd is a limited company incorporated in the United Kingdom. The address of the registered office is St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge, CB4 1DL.

2. Basis of Preparation and Statement of Compliance

The historical financial information comprises the financial statements of Ubisense Trading Ltd and its subsidiaries (together referred to as the 'Group') as at 31 December for each of the three years 2008, 2009 and 2010 and is prepared under the historic cost convention.

The historical financial information has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The accounting policies which follow set out the policies applied in preparing the historical financial information.

The historical financial information is presented in pounds sterling which is also the functional currency of the ultimate parent company. All values are rounded to the nearest thousand (£'000) except where otherwise indicated. Every entity within the group has its own functional currency. Foreign operations are included in accordance with the policies set out in note 3(q).

3. Principal Accounting Policies

a) *Basis of Consolidation and Business Combinations*

Basis of Consolidation

The consolidated financial statements incorporate those of the Company and all entities controlled by it, after eliminating internal transactions. Control is achieved where the Group has the power to control the financial and operating policies through its share ownership. Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the group. The entities results are adjusted, where appropriate, to conform to group accounting policies.

Business Combinations

Business combinations are accounted for using the acquisition method under the revised IFRS 3 Business Combinations (IFRS 3R). The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition costs are expensed as incurred. There have not been any business combinations since the date of transition.

The Group recognises identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

The Group has elected to not restate business combinations that occurred before the date of transition to IFRS. The carrying amount of goodwill has not been adjusted for intangible assets subsumed within goodwill or for intangible assets that do not qualify for recognition under IFRS. The amount of goodwill at the date of transition relates to the Ubisense AG, Ubisense Inc and

Ubisense Ltd RTLS and Geospatial cash generating units. At the date of transition, this goodwill was tested for impairment based on cash flow forecasts made at that date. An impairment of £161,000 relating to the goodwill which arose on the acquisition of Terraprise Inc was identified.

b) ***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to the income statement so as to write off the cost or valuation less estimated residual values over their expected useful lives on a straight-line basis over the following periods:

Fixtures & Fittings	5 to 8 years, or period of the lease if shorter
Computer equipment	3 years
Demonstration Equipment	1 year

Residual values and useful economic lives are assessed annually. The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in administrative expenses.

c) ***Goodwill***

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 3(a) for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. See below and refer to note 7 for a description of impairment testing procedures.

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Any impairment losses are recognised through the income statement.

d) ***Research and development***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale.

- The Group intends to complete the intangible asset and use or sell it.
- The Group has the ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it to be used internally, the asset will be used in generating such benefits.
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally-generated intangible assets, consisting of direct labour costs, are amortised on a straight-line basis over their useful economic lives on completion of the asset. Amortisation is shown within administrative expenses in the income statement. The estimated useful lives of current development projects are three years. Upon completion the assets are subject to impairment testing. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

e) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional cost to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate and are recognised as an expense in the period in which the write-down or loss occurs.

f) ***Financial assets***

Financial assets comprise trade receivables, other receivables and cash and cash equivalents.

Trade and other receivables are recognised initially at fair value and measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

g) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand and bank deposits available on demand.

h) ***Financial liabilities***

The Group's financial liabilities include trade payables, other payables and borrowings (i.e. the debt part of the compound instrument).

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

i) ***Financial instruments***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its financial liabilities. Equity instruments do not include a contractual obligation to deliver cash or other financial assets to another entity. Any instrument that does have the obligation to deliver cash or another financial asset to another entity is classified as a financial liability. Financial liabilities are presented under liabilities on the statement of financial position. The accounting policies adopted for specific financial liabilities and equity instruments are set out in (h) above.

j) ***Compound instruments***

The Group has applied the requirements of IAS32 “Financial Instruments” to account for the Convertible and Bank Loans. These loans are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument without a conversion feature. The difference between the loan balance and the fair value assigned to the liability component, representing the embedded equity element (option to convert the liability into equity of the group, or warrants over shares in the Company), is accounted for as an equity instrument.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar debt instrument to the liability component. The difference between this amount and the interest paid is added to the carrying amount of the loan.

On conversion of debt to equity the carrying value of the debt instrument is transferred to equity and no gain or loss arises on conversion.

k) ***Taxation***

Income tax expense comprises the current and deferred tax. Income tax is recognised in the income statement.

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement, except where it relates to items charged or credited directly to other comprehensive income or equity.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax liabilities are always provided in full. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Deferred tax is recognised as a component of tax expense in the income statement, except where it relates to items charged or credited directly to other comprehensive income or equity.

l) ***Operating lease agreements***

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement net of any incentives received from the lessor on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

m) ***Revenue recognition***

Revenue represents amounts derived from the provision of goods and services which fall within the Group’s ordinary activities, exclusive of value added tax and other similar sales taxes. Revenue is measured by reference to the fair value of consideration received or receivable.

Revenues on product sales are recognised at the time that units are shipped, except for shipments under arrangements involving significant acceptance requirements. Under such arrangements, revenue is recognised when the Group has substantially met all its performance obligations.

Revenue earned from sales under licence agreements is recognised when the software is made available. When the sale includes a period of support and maintenance, a proportion of the revenue is deferred and recognised ratably over the period of support. For licence rental fees amounts are recognised over the period of the contract, commencing from when the software is available for use.

Training and services revenue, including expenses incurred in providing the training/ services, is recognised in the period in which the relevant service is provided.

Where bundled sales, including a combination of some or all of the above are made, the revenue attributable to the deal is apportioned across the constituents of the bundle, and then recognised according to the policies stated above.

n) ***Long-term contracts***

When revenue arises from customer specific contracts including customisation and modification, the revenue is recognised as the contract progresses, based on stage of completion. Full provision is made for losses on contracts in the period in which the loss is foreseen.

o) ***Employee benefits***

All accumulating employee-compensated absences that are unused at the statement of financial position date are recognised as a liability.

Where the Group make contributions to personal defined contribution pension schemes of its employees, contributions are charged as an expense in the period to which they relate.

p) ***Share-based payment transactions***

Ubisense Trading Limited issues equity settled share-based compensation to certain employees (including Directors). The fair value of employee services are determined by reference to the fair value of the instrument granted and expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based on the Group's estimate of the shares that will eventually vest. These estimates are subsequently revised if there is any indication that the number of options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods.

Fair value is measured by an external valuer using the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the terms of an equity-settled transaction are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the fair value of the transaction as a result of the modification, as measured by the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the due date of the cancellation, and any expense not yet recognised for the transaction is recognised immediately. However if a new transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

q) ***Foreign currencies***

The assets and liabilities of foreign subsidiary companies are translated into sterling at the rates of exchange ruling at the statement of financial position date. The results of foreign subsidiaries are translated into sterling (the functional currency of the Company) using the average exchange rate where approximate to actual. Exchange differences arising on consolidation are reported in the Foreign Exchange reserve and recognised in other comprehensive income.

Transactions denominated in a foreign currency are translated at the rate of exchange ruling at a month end rate where approximate to actual rate for the relevant month. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date.

Foreign exchange differences are charged to the income statement in the period in which they arise.

r) ***Segment reporting***

In identifying its operating segments, management generally follows the Group's service lines, which represents the main products and services provided by the Group and correspond to the analysis of information reported to the Chief Operating Decision Maker.

Within its Real-Time Location Systems division ("RTLS"), the Group 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.

Within its Geospatial division, the Group 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.

Each of these operating segments is managed separately as each deals with different technologies and predominantly different customer bases.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

s) ***Equity***

Equity comprises:

Share capital – nominal value of ordinary shares are classified as equity.

Share premium – represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Equity reserve – represents the attributed equity portion of the compound instruments.

Option reserve – represents equity settled share-based employee remuneration.

Foreign exchange reserve – represents the differences arising from the translation of investments in overseas subsidiaries.

Retained earnings – includes all current and prior period retained profits.

t) ***Standards and interpretations not yet applied by the Group***

The following standards and interpretations, which are yet to become mandatory, have not been applied in the consolidated financial statements:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)

Based on the Group's current business model and accounting policies, management does not expect material impacts on the consolidated financial statements when the Standards and Interpretations become effective. The Group does not intend to apply any of these pronouncements early. Other standards and interpretations are in issue, but not yet effective, in addition to those mentioned above, which are not expected to have an impact on the group.

4. Significant Accounting Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) ***Impairment of goodwill and other intangible assets***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 is £6,069,000. Further consideration of the impairment of goodwill is included in note 7.

b) ***Research and development costs***

Research costs are not capitalised. Development costs are capitalised from the point that it is sufficiently certain that future economic benefits to the Group will cover all selling, administration and support costs as well as the development costs themselves. The assessment of the criteria for capitalisation is critically dependent on management's judgement.

c) ***Share options***

Share options are granted on a discretionary basis and typically vest evenly over a three year period. The fair value of options granted is determined using the Black-Scholes valuation model, which requires a number of estimates and assumptions. The significant inputs into the model are share price at grant date, exercise price, expected option life, expected volatility and the risk free interest rate. Volatility is measured as the standard deviation of expected share price returns based on a statistical analysis of competitors' share prices.

d) ***Trade receivables***

Trade receivables are stated net of provision for bad and doubtful debts, based on the Group's best estimate of the likelihood of recovery on a specific basis.

e) ***Deferred tax***

A deferred tax asset is recognised where the Group considers it probable that future tax profits will be available against which the tax credit will be utilised in the future. This specifically applies to tax losses and to outstanding vested share options at the statement of financial position date. In estimating the amount of the deferred tax asset that should be recognised, the directors make judgements based on current budgets and forecasts, about the amount of future taxable profits and the timings of when these will be realised. No deferred tax asset is currently recognised.

f) ***Revenue recognition***

Significant management judgement is applied in determining the allocation and timing of the recognition of revenue on contracts. In this process management takes into account milestones, hardware supplied, actual work performed and further obligations and costs expected to complete the work.

5. Segment Information

Management currently identifies the Group's two divisions as operating segments as further described in Note 3(r). These operating statements are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Centrally incurred costs, i.e. those which are not directly attributable to business segments, are reported under 'central'.

Segment information can be analysed as follows for the reporting periods under review:

	<i>RTLS</i> <i>2008</i> <i>£'000</i>	<i>Geospatial</i> <i>2008</i> <i>£'000</i>	<i>Central</i> <i>2008</i> <i>£'000</i>	<i>Total</i> <i>2008</i> <i>£'000</i>
Product Revenue	3,404	—	—	3,404
Services Revenue	667	5,622	—	6,289
Total Revenue	4,071	5,622	—	9,693
Cost of Sales	(2,319)	(4,004)	—	(6,323)
Gross Profit	1,752	1,618	—	3,370
Administrative Expenses	(3,334)	(186)	(570)	(4,090)
Operating Profit	(1,582)	1,432	(570)	(720)
Finance income	—	—	12	12
Finance costs	—	—	(275)	(275)
Income tax expense	—	—	117	117
(Loss)/Profit for the year	(1,582)	1,432	(716)	(866)
Fixed assets	—	—	247	247
Intangible assets	390	—	—	390
Goodwill	3,256	2,813	—	6,069
Stock	292	—	—	292
Debtors	1,494	980	221	2,695
Cash	—	—	2,052	2,052
Current liabilities	(1,592)	(1,135)	(877)	(3,604)
Non-current liabilities	—	—	(2,978)	(2,978)
Net Assets	3,840	2,658	(1,335)	5,163

In 2008 there were no customers whose revenue accounted for more than 10 per cent. of total revenue.

	<i>RTLS</i> 2009 £'000	<i>Geospatial</i> 2009 £'000	<i>Central</i> 2009 £'000	<i>Total</i> 2009 £'000
Product Revenue	3,984	—	—	3,984
Services Revenue	1,205	9,796	—	11,001
Total Revenue	5,189	9,796	—	14,985
Cost of Sales	(2,468)	(7,190)	—	(9,658)
Gross Profit	2,721	2,606	—	5,327
Administrative Expenses	(3,194)	(208)	(995)	(4,397)
Operating Profit	(473)	2,398	(995)	930
Finance income	—	—	16	16
Finance costs	—	—	(230)	(230)
Income tax expense	—	—	157	157
(Loss)/Profit for the year	(473)	2,398	(1,052)	873
Fixed assets	—	—	162	162
Intangible assets	424	—	—	424
Goodwill	3,256	2,813	—	6,069
Stock	264	—	—	264
Debtors	1,953	1,515	188	3,656
Cash	—	—	2,396	2,396
Current liabilities	(694)	(1,365)	(1,115)	(3,174)
Non-current liabilities	—	—	(3,498)	(3,498)
Net Assets	5,203	2,963	(1,867)	6,299

In 2009 there were two customers whose revenue accounted for more than 10 per cent. of total revenue. They are both Geospatial customers based in Germany and together they total 30 per cent. of the annual revenue.

	<i>RTLS</i> 2010 £'000	<i>Geospatial</i> 2010 £'000	<i>Central</i> 2010 £'000	<i>Total</i> 2010 £'000
Product Revenue	3,771	—	—	3,771
Services Revenue	1,958	11,968	—	13,926
Total Revenue	5,729	11,968	—	17,697
Cost of Sales	(2,520)	(9,242)	—	(11,762)
Gross Profit	3,209	2,726	—	5,935
Administrative Expenses	(4,196)	(163)	(949)	(5,308)
Operating Profit	(987)	2,563	(949)	627
Finance income	—	—	5	5
Finance costs	—	—	(237)	(237)
Income tax expense	—	—	3	3
(Loss)/Profit for the year	(987)	2,563	(1,178)	398
Property, plant and equipment	—	—	279	279
Intangible assets	518	—	7	525
Goodwill	3,256	2,813	—	6,069
Inventories	364	—	—	364
Trade and other receivables	2,010	4,563	327	6,900
Cash	—	—	7,130	7,130
Current liabilities	(771)	(3,475)	(4,100)	(8,346)
Non-current liabilities	—	—	(1,386)	(1,386)
Net Assets	5,377	3,901	2,257	11,535

In 2010 there were two customers whose revenue accounted for more than 10 per cent. of total revenue. They are both Geospatial customers based in Germany and together they total 34 per cent. of the annual revenue.

The Group's revenues from external customers are divided into the following geographical areas:

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
United Kingdom (country of domicile)	289	762	478
United States of America	3,570	4,656	6,436
Germany	4,157	7,019	8,294
Other	1,677	2,548	2,489
	<u>9,693</u>	<u>14,985</u>	<u>17,697</u>

The Group's non current assets excluding deferred tax, by location are:

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
UK	3,040	3,036	3,198
United States of America	1,299	1,286	2,260
Germany	2,367	2,333	1,415
	<u>6,706</u>	<u>6,655</u>	<u>6,873</u>

6. Profit/(Loss) before tax

This is stated after charging/(crediting):

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Amortisation on intangibles (note 8)	219	268	299
Depreciation of owned property, plant and equipment:	166	115	97
Research and development costs expensed	690	836	939
Auditor remuneration – audit	5	5	10
– audit of subsidiaries	15	16	22
– tax services	8	5	3
– other services	—	—	33
Operating leases – land and buildings	264	309	359
Operating leases – other	87	97	101
Foreign Exchange loss/(gain)	(681)	30	(80)

Auditor remuneration for the parent and subsidiary undertakings is borne by Ubisense Limited.

7. Goodwill

	2008 £'000	2009 £'000	2010 £'000
Net Book Value at 31 December	<u>6,069</u>	<u>6,069</u>	<u>6,069</u>

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units.

	2008 £'000	2009 £'000	2010 £'000
RTLS	3,256	3,256	3,256
Geospatial	<u>2,813</u>	<u>2,813</u>	<u>2,813</u>
Net Book Value at 31 December	<u>6,069</u>	<u>6,069</u>	<u>6,069</u>

At the date of transition to IFRS the amount of goodwill for the Group was tested for impairment based on conditions at that date. The forecast at the transition date showed that the amount of goodwill relating to the Ubisense Inc investment in Terraprise Inc should be impaired. An impairment of £161,000 was recognised.

The amount of goodwill for each cash generating unit noted above was tested for impairment at each subsequent reporting date based on conditions at that date. The forecasts at subsequent year end dates showed that no impairment was necessary at these dates.

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed two-year forecast, followed by extrapolation of expected cash flows for the units' remaining useful lives using the anticipated growth rate of 20 per cent. for RTLS and 10 per cent. for Geospatial.

RTLS

The forecast for the RTLS unit is for strong growth with key assumptions based on the current pipeline. This unit is expected to continue to grow at above-average rates for the foreseeable future as a result of significant investment in research and development. Cash flow projections show increasing profit margins as a result of synergies. The estimate of recoverable amount for this unit is sensitive to changes in the growth rate.

Geospatial

Management's key assumptions for the Geospatial units include steady growth and increasing profit margins which have been determined by past experience in this market. The Group's management believes this is the best available input for forecasting this mature market. Cash flow projections reflect stable profit margins consistent with historical performance.

Apart from the considerations described in determining the value-in-use of cash-generating units described above, management is not currently aware of any other reasonable changes that would necessitate changes in its key estimates.

8. Other intangible assets

The Group's other intangible assets comprise capitalised R&D and acquired software licences. The carrying amounts for the reporting periods under review can be analysed as follows:

	<i>Capitalised R&D</i> £'000	<i>Software</i> £'000	<i>Total</i> £'000
<i>Cost</i>			
At 1 January 2008	527	—	527
Additions	258	—	258
At 31 December 2008	785	—	785
Additions	302	—	302
At 31 December 2009	1,087	—	1,087
Additions	389	11	400
At 31 December 2010	1,476	11	1,487
<i>Amortisation</i>			
At 1 January 2008	176	—	176
Charge for the year	219	—	219
At 31 December 2008	395	—	395
Charge for the year	268	—	268
At 31 December 2009	663	—	663
Charge for the year	295	4	299
At 31 December 2010	958	4	962
Net Book Value at 31 December 2008	390	—	390
Net Book Value at 31 December 2009	424	—	424
Net Book Value at 31 December 2010	518	7	525

All amortisation charges (or reversals if any) are included within Administrative expenses.

9. Property, plant and equipment

	<i>Fixtures & Fittings</i> £'000	<i>Computer Equipment</i> £'000	<i>Demonstration Equipment</i> £'000	<i>Total</i> £'000
<i>Cost</i>				
At 1 January 2008	338	600	22	960
Additions	41	58	7	106
Disposals	(115)	(445)	—	(560)
Foreign Exchange	53	99	—	152
At 31 December 2008	317	312	29	658
Additions	6	40	—	46
Disposals	—	—	(29)	(29)
Foreign Exchange	(14)	(18)	—	(32)
At 31 December 2009	309	334	—	643
Additions	18	200	—	218
Disposals	(150)	(89)	—	(239)
Foreign Exchange	(3)	(5)	—	(8)
At 31 December 2010	174	440	—	614

	<i>Fixtures & Fittings £'000</i>	<i>Computer Equipment £'000</i>	<i>Demonstration Equipment £'000</i>	<i>Total £'000</i>
<i>Depreciation</i>				
At 1 January 2008	208	474	10	692
Disposals	(106)	(442)	—	(548)
Charge for the year	55	94	17	166
Transfers in	—	5	—	5
Foreign Exchange	22	74	—	96
At 31 December 2008	179	205	27	411
Disposals	—	—	(29)	(29)
Charge for the year	43	70	2	115
Foreign Exchange	(4)	(12)	—	(16)
At 31 December 2009	218	263	—	481
Disposals	(150)	(88)	—	(238)
Charge for the year	29	68	—	97
Foreign Exchange	(2)	(3)	—	(5)
At 31 December 2010	95	240	—	335
Net Book Value at 31 December 2008	138	107	2	247
Net Book Value at 31 December 2009	91	71	—	162
Net Book Value at 31 December 2010	79	200	—	279

All depreciation charges (or reversals if any) are included within Administrative expenses.

10. Operating leases as lessee

At 31 December the Group's future minimum operating lease payments were as follows:

	<i>Land & Buildings</i>			<i>Other</i>		
	<i>2008 £'000</i>	<i>2009 £'000</i>	<i>2010 £'000</i>	<i>2008 £'000</i>	<i>2009 £'000</i>	<i>2010 £'000</i>
Minimum lease payments due within one year	262	270	307	73	74	92
Minimum lease payments due within one to five years	511	205	148	59	49	96
Minimum lease payments due after five years	—	—	—	—	—	—
Total	773	475	455	132	123	188

Lease payments recognised as an expense during the period amount to £460,000 (2009: £406,000; 2008: £351,000).

The lease payments relate mainly to the rental contracts for the office buildings. The UK office has been rented since September 2004 at St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge, CB4 1DL. The US office base has been rented since February 2005 at 5445 DTC Parkway, Greenwood Village, Denver, CO 80111. The German office base has been rented since November 2005 at ADAC Haus am Westfalendamm, Freie-Vogel Str. 393, 44269 Dortmund.

The Group's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contains renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

11. Financial assets and liabilities

11.1 Categories of financial assets and liabilities

The carrying amounts presented in the Consolidated Statement of Financial Position relate to the following categories of financial assets and liabilities:

	2008 £'000	2009 £'000	2010 £'000
<i>Financial assets</i>			
Loans and receivables			
Trade and other receivables	2,526	3,465	5,962
Cash and cash equivalents	2,052	2,396	7,130
	<u>4,578</u>	<u>5,861</u>	<u>13,092</u>
	2008 £'000	2009 £'000	2010 £'000
<i>Financial liabilities</i>			
Financial liabilities measured at amortised cost			
Non-current			
Loans and borrowings	2,869	3,379	1,246
Current			
Loans and borrowings	—	244	2,372
Trade and other payables	1,621	2,113	3,071
Total carrying amounts	<u>1,621</u>	<u>2,357</u>	<u>5,443</u>

11.2 Borrowings

Loans and borrowings comprise:

	2008 £'000	2009 £'000	2010 £'000
<i>Non-current</i>			
Bank loan	984	746	492
Convertible Loan	1,885	2,633	754
	<u>2,869</u>	<u>3,379</u>	<u>1,246</u>
	2008 £'000	2009 £'000	2010 £'000
<i>Current</i>			
Bank loan	—	244	398
Convertible Loan	—	—	1,974
	<u>—</u>	<u>244</u>	<u>2,372</u>
	2008 £'000	2009 £'000	2010 £'000
Bank loan	984	990	890
The maturity of the above amounts is as follows:			
– Within one year	—	244	398
– Within one to two years	238	330	492
– Within two to five years	746	416	—
	<u>984</u>	<u>990</u>	<u>890</u>

On 22 February, 2008, the Group entered into a Loan Facility Agreement with HSBC plc for up to £2,000,000. The loan interest rate is 3 per cent. above the Bank Sterling Base Rate and the term is 5 years. The loan is secured by a debenture over the assets of the Group. It is repayable in monthly instalments over three years commencing in April 2010.

As part of the Loan agreement HSBC plc have an entitlement to warrants, based on the amount of the loan actually drawn down by the Group, giving them an entitlement to shares in the Company.

	2008 £'000	2009 £'000	2010 £'000
Convertible Loan	1,885	2,633	2,728
The maturity of the above amounts is as follows:			
– Within one year	—	—	1,974
– Within one to two years	—	1,878	754
– Within two to five years	1,885	755	—

Under the terms of the 2007 Convertible Loan, totalling £2,000,000, the loan holders receive interest, paid quarterly, at 2 per cent. above the Bank of England base rate. Loan holders can request the conversion of their loan into shares at any point up to 30 April 2011, at a rate of £0.90 per £0.02 Ordinary Share, or have their loan repaid on that date. In the event of an acquisition or Initial Public Offering conversion or repayment will be required to take place prior to that event.

Under the terms of the 2008 Convertible Loan, totalling £887,000, the loan holders receive interest, paid quarterly, at 2 per cent. above the Bank of England base rate. Loan holders can request the conversion of their loan into shares at any point up to 31 December 2012, at a rate of £0.90 per £0.02 Ordinary Share, or have their loan repaid on that date. In the event of an acquisition or Initial Public Offering conversion or repayment will be required to take place prior to that event.

12. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences can be summarised as follows:

	2008 £'000	2009 £'000	2010 £'000
R&D Capitalisation			
Balance b/fwd	105	109	119
Movement in year	4	10	21
Balance c/fwd	109	119	140

The above deferred tax liability has been recognised in the statement of financial position. The table below summarises the deferred tax assets for the group which have not been recognised in the financial statements as the tax losses and share option temporary differences are not anticipated to be able to be used in the foreseeable future.

	2008 £'000	2009 £'000	2010 £'000
Non-current assets			
Losses	1,076	916	804
Share option temporary differences	—	—	182
Other temporary differences	12	20	(1)
	1,088	936	985

13. Inventories

Inventories recognised in the statement of financial position can be analysed as follows:

	2008 £'000	2009 £'000	2010 £'000
Finished goods	292	264	364

There is no material difference between the replacement cost of inventory and the amounts stated above.

The amount of £1,080k is recognised as an expense (2009: £1,018k; 2008: £915k). Write downs of £nil, (2009: £49k; 2008: £16k) were recognised as an expense. Reversals of £9k, (2009: £nil; 2008: £nil) were recognised as a credit to expenses.

14. Trade and other receivables

Trade and other receivables recognised in the Consolidated Statement of Financial Position can be analysed as follows:

	2008 £'000	2009 £'000	2010 £'000
Trade receivables, gross	2,493	3,066	5,469
Allowances for credit losses	(72)	(125)	(83)
Trade receivables, net	2,421	2,941	5,386
Other receivables	105	524	576
Financial assets	2,526	3,465	5,962
Prepayments and accrued income	116	144	816
VAT and taxation	53	47	122
Non-financial assets	169	191	938
Trade and other receivables	2,695	3,656	6,900

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired 0 – 90 days £'000	>90 days £'000
2008	2,421	1,317	1,008	96
2009	2,941	1,317	927	697
2010	5,386	3,030	2,113	243

Reconciliation of allowances for credit losses

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Opening allowance for credit losses	72	72	125
Losses recognised	—	(41)	(52)
Increase in allowance	—	94	10
Closing provision	72	125	83

15. Cash and cash equivalents

Cash and cash equivalents include the following components

	2008 £'000	2009 £'000	2010 £'000
Cash at bank and in hand			
GBP	1,596	1,075	5,424
EUR	230	718	1,023
USD	226	603	344
CAD	—	—	339
Financial assets	2,052	2,396	7,130

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. The net carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

16. Equity

16.1 Share Capital

	2008		2009		2010	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Authorised Ordinary shares of £0.02 each	500,000,000	10,000	500,000,000	10,000	500,000,000	10,000
Called up, allotted and fully paid Ordinary shares of £0.02 each	11,755,265	235	11,755,265	235	15,211,490	304

Movements in Ordinary Shares is as follows:

	<i>Number</i>
At 1 January 2008	2,351,053
Shares created on 5:1 share split	9,404,212
At 31 December 2008	11,755,265
At 31 December 2009	11,755,265
Shares issued on option exercises	26,500
Shares issued on conversion of Convertible Loan	28,365
Shares issued on fund raising	3,401,360
At 31 December 2010	15,211,490

On 24 April 2008 the Company approved a sub-division of Share Capital, whereby each £0.10 Ordinary Share (and options) be sub-divided into five £0.02 Ordinary Shares (and options).

On 31 May 2010 26,500 options were exercised at a price of £0.64 and on 25 October 2010 28,365 shares were issued at a conversion price of £0.90 instead of requesting repayment of the convertible loan.

On 18 November 2010 3,401,360 shares were issued in return for funding at a price of £1.47 per £0.02 Ordinary Share.

16.2 Share Premium

Proceeds received in addition to the nominal value of the shares issued during the year have been included in Share Premium, less registration and other regulatory fees, and net of related tax benefits.

As part of the fund raising in November 2010, expenses of £178,000 were written off against the Share Premium account.

	<i>Share premium account £'000</i>
At 1 January 2008	9,773
At 31 December 2008	9,773
At 31 December 2009	9,773
Net premium on new share capital subscribed	4,777
At 31 December 2010	14,550

17. Employee remuneration

Expenses recognised for employee benefits (including Directors) are analysed below:

Staff costs for all employees, including Directors, consist of:

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Wages & salaries	5,108	5,471	6,724
Social security costs	529	608	679
Pension costs	172	238	307
Share Based Compensation Charge	34	73	18
	<u>5,843</u>	<u>6,390</u>	<u>7,728</u>

Pension costs relate to contributions to employee private pension plans or state run schemes.

The average number of employees, including Directors, during the year were:

	31/12/08 Number	31/12/09 Number	31/12/10 Number
Technical consultants	45	47	60
Research & Development	10	10	12
Sales & Marketing	19	14	18
General & Administrative	9	8	9
	<u>83</u>	<u>79</u>	<u>99</u>

Remuneration of Directors

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Directors' emoluments	229	139	206
Company contributions to money purchase schemes	6	9	17
	<u>235</u>	<u>148</u>	<u>223</u>

Emoluments of highest paid director

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Emoluments	110	107	118
Company contributions to money purchase schemes	4	9	13
	<u>114</u>	<u>116</u>	<u>131</u>

All Directors' remuneration was paid for by Ubisense Ltd. Two of the Directors are members of the pension scheme. (2009: one; 2008: two). Details of the Directors share options can be found in Note 18.

Remuneration of key management personnel

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Short-term employee benefits:			
Salaries including bonuses	626	639	709
Social Security	41	42	46
Other benefits	7	11	12
Total short-term employee benefits	<u>674</u>	<u>692</u>	<u>767</u>
Post-employment benefits:			
Defined contribution pension plans	31	58	68
Total post-employment benefits	<u>31</u>	<u>58</u>	<u>68</u>
Share based compensation charge	<u>8</u>	<u>27</u>	<u>6</u>
Number of senior executives at the statement of financial position date	<u>7</u>	<u>7</u>	<u>7</u>

18. Share options

The Company operates share option schemes in parallel for staff, including Directors, in the UK, US, German and Canadian organisations.

Options are granted with an exercise price based on the H M Revenue & Customs agreed valuation at the time of grant. Options held in the Company generally vest over periods of up to three years from the date of grant. Options are only exercisable in accordance with the Scheme Rules. The options are settled in equity once exercised. Options not exercised by the 10th anniversary of their grant date lapse.

On 18 March 2010 the repricing of options over 1,602,131 ordinary shares of £0.02 held by employees, including the Board, was agreed with HMRC. The replacement options have an exercise price of £0.14 and vest over dates from 18 March 2011 to 18 March 2013 and have been accounted for as a modification.

Details of the number of share options and the Weighted Average Exercise Price outstanding during the year are as follows:

	2008		2009		2010	
	Number	WAEP £	Number	WAEP £	Number	WAEP £
Opening balance	1,530,000	0.70	1,656,400	0.77	1,943,103	0.79
Repricing of options as noted above	—	—	—	—	—	0.14
Revised opening balance	1,530,000	0.70	1,656,400	0.77	1,943,103	0.23
Granted during the year	247,500	0.90	332,901	0.90	34,550	0.14
Exercised during the year	—	—	—	—	(26,500)	0.64
Forfeited during the year	(121,100)	0.90	(46,198)	0.90	(111,751)	0.88
Closing balance	<u>1,656,400</u>	<u>0.77</u>	<u>1,943,103</u>	<u>0.79</u>	<u>1,839,402</u>	<u>0.20</u>
Exercisable at the year end	<u>1,257,105</u>	<u>0.73</u>	<u>1,682,748</u>	<u>0.77</u>	<u>201,966</u>	<u>0.67</u>

The share options outstanding at the end of the year have a weighted average remaining contractual life of 9 years (2009: 7 years; 2008: 8 years) and an exercise price ranging from £0.14 to £0.90. Since the year end, no options over £0.02 Ordinary Shares have been exercised, granted or cancelled.

The fair values below were calculated using the Black Scholes Model. The inputs to the model were as follows:

	2008	2009	2010
Weighted average share price (£)	0.90	0.90	0.14
Expected volatility of share price (%)	20	20	20
Expected time to expiry (years)	3	3	3
Risk free interest rate (%)	5	5	5
Expected dividend yield on shares (%)	0	0	0
Fair value at date of grant (£)	0.188	0.188	0.029

The expected volatility was estimated by management to be 20 per cent. by reference to companies in similar industries and stage of development. The expected time to expiry of the options has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of £18,000 (2009: £73,000; 2008: £34,000) related to equity-settled share-based payment transactions during the year.

The Directors who held office at 31 December 2010, unless stated, had the following interests in options over Ordinary Shares of the Company as at 31 December 2010:

	<i>Options outstanding at the end of 2008</i>	<i>Options outstanding at the end of 2009</i>	<i>Options outstanding at the end of 2010</i>
G M Campbell (appointed 9/9/10)	—	—	120,500
Prof A Hopper	15,000	20,278	20,278
R T Green	48,500	76,278	76,278
P G Harverson	87,000	91,333	91,333
J K Lomas (appointed 19/12/08)	—	—	—
R G Newell	—	1,056	1,056
R Sansom	—	—	—

All the options held by the Board, over ordinary shares of £0.02, were exchanged for new options with an exercise price of £0.14 and vest over dates from 18 March 2011 to 18 March 2013. No options were exercised in the year.

19. Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows

	2008 £'000	2009 £'000	2010 £'000
Trade payables	578	1,133	1,945
Trade accruals	914	860	933
Current tax	—	—	8
Other taxation and social security	358	313	717
Other payables	1,754	624	2,371
Total trade and other payables	<u>3,604</u>	<u>2,930</u>	<u>5,974</u>

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

20. Finance income and finance costs

Finance costs may be analysed as follows for the reporting periods presented:

	2008 £'000	2009 £'000	2010 £'000
Interest payable – bank	(142)	(160)	(115)
Interest payable – other loans	(133)	(70)	(122)
Finance costs	<u>(275)</u>	<u>(230)</u>	<u>(237)</u>

Finance income may be analysed as follows for the reporting periods presented:

	2008 £'000	2009 £'000	2010 £'000
Interest income from cash and cash equivalents	<u>12</u>	<u>16</u>	<u>5</u>

21. Taxation on ordinary activities

(a) Analysis of the charge in the year:

Current Tax

In respect of the year

	2008 £'000	2009 £'000	2010 £'000
UK Corporation Tax based on the results for the year at 28% (2009: 28%; 2008: 28.5%)	—	1	—
Foreign tax	—	4	23
Adjustment in respect of prior years			
– Research and development tax credit	(121)	(172)	(47)
	<u>(121)</u>	<u>(167)</u>	<u>(24)</u>
Deferred Tax			
Origination and reversal of temporary differences	4	10	21
Tax on profit on ordinary activities	<u>(117)</u>	<u>(157)</u>	<u>(3)</u>

(b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2009: 28%; 2008: 28.5%) as follows:

	31/12/08 £'000	31/12/09 £'000	31/12/10 £'000
Profit (Loss) on ordinary activities before taxation	(983)	716	395
Tax on profit (loss) on ordinary activities at standard rate	(280)	200	111
Factors affecting credit for the year:			
Expenses not deductible for tax purposes	14	—	37
Other temporary differences	6	7	(26)
(Utilisation)/Creation of tax losses	264	(192)	(73)
Prior years' research and development tax credits	(121)	(172)	(47)
Change in tax rates	—	—	(5)
Total actual amount of current tax	<u>(117)</u>	<u>(157)</u>	<u>(3)</u>

Factors that may affect future tax charges

The Group takes advantage of the enhanced tax deductions for Research & Development expenditure in the UK and expects to continue to be able to do so.

22. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

Adjustments:

	2008 £'000	2009 £'000	2010 £'000
Depreciation and amortisation	385	383	396
Finance income	(12)	(16)	(5)
Finance costs	275	230	237
Movement on share based compensation reserve	34	73	18
Foreign exchange	(356)	106	(12)
Total adjustments	326	776	634
Net changes in working capital:			
Change in inventories	—	28	(100)
Change in trade and other receivables	(279)	(975)	(3,244)
Change in trade and other payables	1,412	(660)	3,009
Total changes in working capital	1,133	(1,607)	(335)

23. Related party transactions

Some of the Directors, or parties connected to them, participate in the Convertible Loans. The loans to the Company, which were still outstanding at the year end, received interest as follows:

Director, or connected party	Loan 2008 £'000	Interest 2008 £'000	Loan 2009 £'000	Interest 2009 £'000	Loan 2010 £'000	Interest 2010 £'000
G M Campbell (appointed 09/09/10)	—	—	—	—	31	1
R T Green (Richard Green Childrens' Trust)	108	7	108	3	108	3
P G Harverson	5	—	10	—	10	—
J K Lomas (appointed 19/12/08)	35	2	35	1	35	1
R G Newell	25	2	50	1	50	1
R Sansom	400	27	800	18	800	20

The figures represent all loans and interest in the year for any year that the Director served for any part of that year.

24. Financial instrument risks

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in note 11. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Group's short to medium-term cash flows.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating activities.

24.1 *Foreign currency sensitivity*

The Group's base currency is pounds sterling (GBP). Exposure to currency exchange rates arises where balances are in a currency other than the functional currency of the entity which holds the balance, primarily US dollars (USD) and Euro (EUR).

The Group does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk as the Group's currency transactions are not considered significant enough to warrant this.

An adverse movement in the dollar of 5 per cent. would result in a reduction in the Group's assets of £64,000 (2009: £86,000; 2008: £64,000). An adverse movement in the Euro of 5 per cent. would result in a reduction of the Group's assets of £78,000 (2009: £73,000; 2008: £16,000) and the impact on the Group's profit/loss would be £140,000 (2009: £115,000; 2008: £46,000).

The carrying amounts of the Group's US Dollar and Euro denominated monetary assets and liabilities outside the functional currency entity at the reporting date is as follows:

	2008		2009		2010	
	US \$ £'000	Euro £'000	US \$ £'000	Euro £'000	US \$ £'000	Euro £'000
Assets	—	—	382	107	330	351
Liabilities	22	14	13	6	64	—

In addition an element of the Group's revenue and overhead transactions is completed in a foreign currency. Transaction exposure is hedged through the use of currency bank accounts.

24.2 *Interest rate sensitivity*

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing through management of levels of external debt. At 31 December 2010, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. An increase in the interest rate of 5 per cent. would result in an increased payment of £46k over the remaining life of the loan.

The Group's borrowings are summarised in note 11.2.

24.3 *Credit risk analysis*

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised in note 14 and note 15.

Cash and cash equivalents are held at banks with good independent credit ratings.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/ or reports on customers and other counterparties are obtained and used.

The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. All receivables are subject to regular review to ensure that they are recoverable and any issues identified as early as possible.

None of the Group's financial assets are secured by collateral or other credit enhancements.

24.4 *Liquidity risk analysis*

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient and the need for securing finance from its shareholder base.

The Group's financial liabilities have contractual maturities as summarised below:

	<i>Current</i>		<i>Non-Current</i>	
	<i>Within 6 months</i>	<i>Between 6 and 12 months</i>	<i>Between 1 and 5 years</i>	<i>Later than 5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
As at 31 December 2008				
Trade and other payables	3,246	—	—	—
Loans and borrowings	—	—	3,275	—
As at 31 December 2009				
Trade and other payables	2,617	—	—	—
Loans and borrowings	92	181	3,678	—
As at 31 December 2010				
Trade and other payables	5,249	—	—	—
Loans and borrowings	2,213	209	1,397	—

Financial assets used for managing liquidity risk

Cash flows from trade and other receivables are contractually due within six months.

Cash is generally held in accounts with immediate notice. Where surplus cash deposits are identified these are placed in accounts with access terms of no more than 30 days.

25. Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern by securing sufficient funding through equity and debt.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the strategic plans of the business. In order to maintain or adjust the capital structure and provide funds to support the planned growth, the Group may issue new shares or raise other funds through debt.

During 2010 the Group issued 3,401,360 Ordinary shares raising £5,000,000 to provide funds for the growth and development of the Group.

The Group is not subject to externally imposed capital requirements.

26. First-time adoption of IFRS

These are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 January 2008.

The Group's IFRS accounting policies presented in note 3 have been applied in preparing the financial statements for the year ended 31 December 2010, the comparative information and the opening statement of financial position at the date of transition, 1 January 2008.

The Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards (as revised in 2008) in preparing the historical financial information. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

The amount of goodwill at the date of transition relates to the RTLS and Geospatial cash generating units. In addition there was £161,000 of goodwill relating to the acquisition of Terraprise Inc, a technical consulting business in the geospatial sector. At the date of transition no revenue streams could be related directly to this acquisition and the goodwill has therefore been fully impaired.

26.1 *First-time adoption exemptions applied*

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Group has applied the mandatory exemptions and certain optional exemptions. The exemptions adopted by the Group are set out below.

- Financial assets and liabilities that had been de-recognised before 1 January 2008 under previous GAAP have not been recognised under IFRS.
- The Group has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences).
- The Group has elected not to apply IFRS 3 retrospectively to its past business combinations prior to the date of transition and goodwill acquired thereon remains frozen.

26.2 *Reconciliation of equity*

Equity at the date of transition, 1 January 2008, can be reconciled to the amounts reported under previous GAAP as follows:

<i>UK GAAP Format</i>	<i>UK GAAP £'000</i>	<i>Presentational and transitional differences £'000</i>	<i>IFRS £'000</i>	<i>IFRS Format</i>
Fixed Assets				Non-current assets
Intangible assets –				
Goodwill	6,230	(161)	6,069	Goodwill
Other intangible assets	—	351	351	Other intangible assets
Tangible assets	268	—	268	Property, plant and equipment
	<u>6,498</u>	<u>190</u>	<u>6,688</u>	Total non-current assets
Current assets				Current assets
Stock and work in progress	292	—	292	Inventories
Debtors	2,416	—	2,416	Trade and other receivables
Investments – treasury deposits	356	(356)	—	
Cash at bank and in hand	400	356	756	Cash and cash equivalents
	<u>3,464</u>	<u>—</u>	<u>3,464</u>	
Creditors: amounts falling due within one year				Current liabilities
Creditors: amounts falling due within one year	(2,214)	—	(2,214)	Trade and other payables
Creditors: amounts falling due after more than one year				Non-current liabilities
Creditors: amounts falling due after more than one year	(1,754)	—	(1,754)	Loans and borrowings
Deferred tax	—	(105)	(105)	Deferred tax
Net assets	<u>5,994</u>	<u>85</u>	<u>6,079</u>	Net assets
Capital and Reserves				Equity
Called Up Share capital	235	—	235	Share capital
Share premium account	9,773	—	9,773	Share premium account
FRS 25 Equity reserve	289	—	289	Equity reserve
FRS 20 Option reserve	421	—	421	Option reserve
Foreign exchange reserve	38	—	38	Foreign exchange reserve
Profit and loss account	(4,762)	85	(4,677)	Retained earnings
Total equity	<u>5,994</u>	<u>85</u>	<u>6,079</u>	Total equity

Transitional differences between IFRS and previous GAAP arose due to:

- Capitalisation of R&D expenditure in other intangible assets
- Related deferred tax on capitalised intangible assets
- Impairment of the goodwill relating to Terraprise Inc

Presentational differences between IFRS and previous GAAP arose due to:

- Reclassification of investments – treasury deposits as cash equivalents

Equity at 31 December 2008 can be reconciled to the amounts reported under previous GAAP as follows:

<i>UK GAAP Format</i>	<i>UK GAAP £'000</i>	<i>Presentational and transitional differences £'000</i>	<i>IFRS £'000</i>	<i>IFRS Format</i>
Fixed Assets				Non-current assets
Intangible assets –				
Goodwill	5,516	553	6,069	Goodwill
Other intangible assets	—	390	390	Other intangible assets
Tangible assets	247	—	247	Property, plant and equipment
	<u>5,763</u>	<u>943</u>	<u>6,706</u>	Total non-current assets
Current assets				Current assets
Stock and work in progress	292	—	292	Inventories
Debtors	2,695	—	2,695	Trade and other receivables
Cash at bank and in hand	2,052	—	2,052	Cash and cash equivalents
	<u>5,039</u>	<u>—</u>	<u>5,039</u>	
Creditors: amounts falling due within one year				Current liabilities
Creditors: amounts falling due within one year	(3,604)	—	(3,604)	Trade and other payables
Creditors: amounts falling due after more than one year				Non-current liabilities
Creditors: amounts falling due after more than one year	(2,869)	—	(2,869)	Loans and borrowings
Deferred tax	—	(109)	(109)	Deferred tax
Net assets	<u>4,328</u>	<u>835</u>	<u>5,163</u>	Net assets
Capital and Reserves				Equity
Called Up Share capital	235	—	235	Share capital
Share premium account	9,773	—	9,773	Share premium account
FRS 25 Equity reserve	357	—	357	Equity reserve
FRS 20 Option reserve	455	—	455	Option reserve
Foreign exchange reserve	(53)	(61)	(114)	Foreign exchange reserve
Profit and loss account	(6,439)	896	(5,543)	Retained earnings
Total equity	<u>4,328</u>	<u>835</u>	<u>5,163</u>	Total equity

Transitional differences between IFRS and previous GAAP arose due to:

- Capitalisation of R&D expenditure in other intangible assets
- Related deferred tax on capitalised intangible assets

- Impairment of the goodwill relating to Terraprise Inc and the effect of goodwill not being subject to amortisation under IFRS

Equity at 31 December 2009 can be reconciled to the amounts reported under previous GAAP as follows:

<i>UK GAAP Format</i>	<i>UK GAAP £'000</i>	<i>Presentational and transitional differences £'000</i>	<i>IFRS £'000</i>	<i>IFRS Format</i>
Fixed Assets				Non-current assets
Intangible assets –				
Goodwill	4,716	1,353	6,069	Goodwill
Other intangible assets	—	424	424	Other intangible assets
Tangible assets	162	—	162	Property, plant and equipment
	<u>4,878</u>	<u>1,777</u>	<u>6,655</u>	Total non-current assets
Current assets				Current assets
Stock and work in progress	264	—	264	Inventories
Debtors	3,656	—	3,656	Trade and other receivables
Cash at bank and in hand	2,396	—	2,396	Cash and cash equivalents
	<u>6,316</u>	<u>—</u>	<u>6,316</u>	
Creditors: amounts falling due within one year				Current liabilities
	—	(244)	(244)	Loans and borrowings
Creditors: amounts falling due within one year	(3,174)	244	(2,930)	Trade and other payables
	<u>(3,174)</u>	<u>—</u>	<u>(3,174)</u>	
Creditors: amounts falling due after more than one year				Non-current liabilities
Creditors: amounts falling due after more than one year	(3,379)	—	(3,379)	Loans and borrowings
Deferred tax	—	(119)	(119)	Deferred tax
	<u>(3,379)</u>	<u>(119)</u>	<u>(3,498)</u>	
Net assets	<u>4,641</u>	<u>1,658</u>	<u>6,299</u>	Net assets
Capital and Reserves				Equity
Called Up Share capital	235	—	235	Share capital
Share premium account	9,773	—	9,773	Share premium account
FRS 25 Equity reserve	499	—	499	Equity reserve
FRS 20 Option reserve	528	—	528	Option reserve
Foreign exchange reserve	(26)	(40)	(66)	Foreign exchange reserve
Profit and loss account	(6,368)	1,698	(4,670)	Retained earnings
	<u>(6,368)</u>	<u>1,698</u>	<u>(4,670)</u>	
Total equity	<u>4,641</u>	<u>1,658</u>	<u>6,299</u>	Total equity

Transitional differences between IFRS and previous GAAP arose due to:

- Capitalisation of R&D expenditure in other intangible assets
- Related deferred tax on capitalised intangible assets
- Impairment of the goodwill relating to Terraprise Inc and the effect of goodwill not being subject to amortisation under IFRS

Presentational differences between IFRS and previous GAAP arose due to:

- Split of loans and other borrowings under IFRS in current liabilities

26.3 *Reconciliation of total comprehensive income*

Total comprehensive income for the reporting period ended 31 December 2008 can be reconciled to the amounts reported under previous GAAP as follows:

<i>UK GAAP Format</i>	<i>UK GAAP £'000</i>	<i>Presentational and transitional differences £'000</i>	<i>IFRS £'000</i>	<i>IFRS Format</i>
Turnover	9,693	—	9,693	Revenue
Cost of sales	(6,323)	—	(6,323)	Cost of Sales
Gross Profit	3,370	—	3,370	Gross Profit
Administrative expenses	(4,905)	815	(4,090)	Administrative expenses
Operating Loss	(1,535)	815	(720)	Operating Loss
Finance income	12	—	12	Finance income
Finance charges	(275)	—	(275)	Finance costs
Loss on Ordinary Activities before Taxation	(1,798)	815	(983)	Loss before tax
Tax on Loss on Ordinary Activities	121	(4)	117	Income tax income
Loss for the Financial Year	(1,677)	811	(866)	Loss for the year
Foreign exchange on consolidation	(91)	(61)	(152)	Foreign exchange on consolidation
Total comprehensive income for the year	(1,768)	750	(1,018)	Total comprehensive income for the year

Transitional differences between IFRS and previous GAAP arose due to:

- Capitalisation of R&D expenditure
- The effect of goodwill not being subject to amortisation under IFRS

Total comprehensive income for the reporting period ended 31 December 2009 can be reconciled to the amounts reported under previous GAAP as follows:

<i>UK GAAP Format</i>	<i>UK GAAP £'000</i>	<i>Presentational and transitional differences £'000</i>	<i>IFRS £'000</i>	<i>IFRS Format</i>
Turnover	14,985	—	14,985	Revenue
Cost of sales	(9,658)	—	(9,658)	Cost of Sales
Gross Profit	5,327	—	5,327	Gross Profit
Administrative expenses	(5,209)	812	(4,397)	Administrative expenses
Operating Profit	118	812	930	Operating Profit
Finance income	16	—	16	Finance income
Finance charges	(230)	—	(230)	Finance costs
(Loss)/Profit on Ordinary Activities before Taxation	(96)	812	716	(Loss) Profit before tax
Tax on Profit/(Loss) on Ordinary Activities	167	(10)	157	Income tax income
Profit for the Financial Year	71	802	873	Profit for the year
Foreign exchange on consolidation	27	21	48	Foreign exchange on consolidation
Total comprehensive income for the year	98	823	921	Total comprehensive income for the year

Transitional differences between IFRS and previous GAAP arose due to:

- Capitalisation of R&D expenditure
- The effect of goodwill not being subject to amortisation under IFRS

26.4 *Reconciliation of cash flows*

The components of cash and cash equivalents under previous GAAP are similar to those presented under IFRS.

The only difference is the capitalisation of the investment in development costs of £389k (2009: £302k; 2008: £258k), which is now classified as investing activities and was previously disclosed under operating activities in the cash flow for UK GAAP.

PART 4

ADDITIONAL INFORMATION

1. The Company and its Subsidiaries

- 1.1 The Company was incorporated in England and Wales on 11 October 2005 under the name of Ubisense Trading Limited with registered number 05589712 as a private company limited by shares under the Companies Act 1985.
- 1.2 On 31 May 2011 the Company changed its name to Ubisense Group plc and re-registered as a public limited company.
- 1.3 The Company's registered office and its principal place of business is at St. Andrew's House, 90 St. Andrew's Road, Chesterton, Cambridge, Cambridgeshire CB4 1DL, its telephone number is +44 (0) 1223 535170 and it is domiciled in the United Kingdom.
- 1.4 The Company trades under the name Ubisense.
- 1.5 The principal legislation under which the Company operates and under which the Placing Shares have been issued and conditionally allotted is the Companies Act and the regulations made thereunder.
- 1.6 The Company has the following significant subsidiary undertakings. The Company owns 100 per cent. of the issued shares of each of the companies and can exercise 100 per cent. of the voting rights. Other than set out in this Part 4, none of the share capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

<i>Name</i>	<i>Principal Activity</i>	<i>Country of Incorporation</i>	<i>Registered Office</i>
Ubisense Limited	UK operating company	UK	St. Andrew's House 90 St. Andrew's Road Chesterton Cambridge Cambridgeshire CB4 1DL
Ubisense AG	German operating company	Germany	ADAC Haus Freie-Vogel-Str. 393 44269 Dortmund Germany
Ubisense Inc.	US operating company	US	108 West 13th Street Wilmington Delaware 19801 US
Ubisense Solutions Inc.	Canadian operating company	Canada	349 W. Georgia Street PO Box 2690 Station Main Vancouver BC V6B 3W8 Canada
Ubisense SAS	French operating company	France	52 Boulevard Sebastopol 75003 Paris France

2. Share Capital of the Company

- 2.1 The share capital history of the Company from the date of the Company's incorporation to the date of this document is as follows:
- 2.1.1 The Company was incorporated with an authorised share capital of £10,000,000 divided into 100,000,000 ordinary shares of £0.10 each. On incorporation, 20 ordinary shares of £0.10 each were subscribed for by the subscribers and each such share was fully paid or was credited as fully paid.

- 2.1.2 On 24 November 2005, the Company allotted an aggregate of 1,508,900 ordinary shares of £0.10 each following which the total issued share capital was 1,508,920 ordinary shares of £0.10 each.
- 2.1.3 On 13 December 2005, the Company allotted an aggregate of 421,600 ordinary shares of £0.10 each following which the total issued share capital was 1,930,520 ordinary shares of £0.10 each.
- 2.1.4 On 14 December 2005, the Company allotted an aggregate of 147,380 ordinary shares of £0.10 each following which the total issued share capital was 2,077,900 ordinary shares of £0.10 each.
- 2.1.5 On 5 January 2006, the Company allotted an aggregate of 259,603 ordinary shares of £0.10 each following which the total issued share capital was 2,337,503 ordinary shares of £0.10 each.
- 2.1.6 On 15 December 2006, the Company allotted an aggregate of 10,100 ordinary shares of £0.10 each following which the total issued share capital was 2,347,603 ordinary shares of £0.10 each.
- 2.1.7 On 15 June 2007, the Company allotted an aggregate of 3,000 ordinary shares of £0.10 each following which the total issued share capital was 2,350,603 ordinary shares of £0.10 each.
- 2.1.8 On 15 October 2007, the Company allotted an aggregate of 450 ordinary shares of £0.10 each following which the total issued share capital was 2,351,053 ordinary shares of £0.10 each.
- 2.1.9 On 24 April 2008, the Company passed a resolution to subdivide all the 100,000,000 ordinary shares of £0.10 each in the capital of the Company into 500,000,000 ordinary shares of £0.02 each following which the total issued share capital was 11,755,265 ordinary shares of £0.02 each.
- 2.1.10 On 31 March 2010, the Company allotted an aggregate of 26,500 Ordinary Shares following which the total issued share capital was 11,781,765 Ordinary Shares.
- 2.1.11 On 25 October 2010, the Company allotted an aggregate of 28,365 Ordinary Shares following which the total issued share capital was 11,810,130 Ordinary Shares.
- 2.1.12 On 18 November 2010, the Company allotted an aggregate of 3,401,360 Ordinary Shares following which the total issued share capital was 15,211,490 Ordinary Shares.
- 2.1.13 Between 25 March 2011 and 30 March 2011, the Company allotted an aggregate of 71,119 Ordinary Shares following which the total issued share capital was 15,282,609 Ordinary Shares.
- 2.1.14 On 30 April 2011, the Company allotted an aggregate of 2,213,452 Ordinary Shares on conversion of the 2007 Convertible Loans following which the total issued share capital was 17,496,061 Ordinary Shares.
- 2.1.15 Between 16 May 2011 and 14 June 2011, the Company allotted an aggregate of 69,249 Ordinary Shares following which the total issued share capital was 17,565,310 Ordinary Shares.
- 2.2 The Companies Act no longer requires companies to have an authorised share capital and therefore the Articles do not contain reference to an authorised share capital. The Directors are still however limited to the number of shares they can at any time allot as authority to allot continues to be required under the Companies Act.
- 2.3 On 21 April 2011, the Company passed a number of resolutions to authorise the Directors to allot shares and/or grant rights to subscribe for or to convert any security into shares (“**Rights**”). These authorities provide that the Directors are authorised to allot Rights:
 - 2.3.1 up to an aggregate nominal value of £200,000 in connection with the Placing;

- 2.3.2 up to an aggregate nominal value of £190,000 or, if less, the nominal value of one third of the issued share capital of the Company immediately following Admission; and
- 2.3.3 up to an aggregate nominal value of £47,000 in connection with options granted in accordance with the Company's previous articles of association (see paragraph 2.6 of this Part 4 below).
- 2.4 Unless the authority referred to in paragraph 2.3.2 above is used for the purpose of a pre-emptive offer of Rights to all Shareholders (other than certain limited exclusions), the Directors' ability to utilise such authority is limited to the allotment of equity securities up to a maximum aggregate nominal value of £85,000 or, if less, the nominal value of 15 per cent. of the issued share capital of the Company immediately following the Admission.
- 2.5 The authority referred to in paragraph 2.3.1 above constitutes sufficient authority to enable the Directors to grant the Canaccord Warrants on Admission (as defined and as more particular described in paragraph 10.12 of this Part 4).
- 2.6 The Company passed a resolution on 24 April 2008 which authorised the Directors to grant options over Ordinary Shares subject to a maximum of 20 per cent. of the share capital of the Company in issue from time to time and the Company amended its articles of association at the time to give effect to such resolution. The Company's articles of association that will have effect from Admission contain no such authority. The options that have previously been granted by the Company pursuant to such authority are explained in more detail in paragraph 4 of this Part 4. The Directors need to ensure that they maintain sufficient authority to allot Ordinary Shares that will arise on the exercise of such options and the authority referred to in paragraph 2.3.3 gives the Directors such authority.
- 2.7 The Placing will result in the issue of 2,777,778 New Ordinary Shares. The allotment of the Additional Shares will result in the issue of 1,078,670 Ordinary Shares. The following table shows the issued share capital of the Company (i) as at the date of this document; and (ii) as it will be immediately following Admission:

	<i>Class of share</i>	<i>Issued, called up and fully paid</i>	
		<i>Amount</i>	<i>Number</i>
Current	Ordinary	£351,306.20	17,565,310
Immediately following Admission	Ordinary	£428,435.16	21,421,758

- 2.8 All of the shares in the capital of the Company are fully paid and are ordinary shares of £0.02 each.
- 2.9 There is no share capital of the Company (nor will there be immediately following Admission) held by or on behalf of the Company itself or by any subsidiary of the Company.
- 2.10 Save for the Convertible Loan and the HSBC Warrants, there are no convertible securities, exchangeable securities or securities with warrants that have been issued by the Company.
- 2.11 Save as disclosed in paragraph 4 of this Part 4, no share capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option and the Company has not given any undertaking to increase its capital.
- 2.12 The share capital reconciliation as required to be disclosed by the AIM Rules for Companies is as follows:

	<i>As at</i>	<i>As at</i>
	<i>1 January 2010</i>	<i>31 December 2010</i>
Issued Ordinary Shares	11,755,265	15,211,490

- 2.13 With effect from Admission, all of the Ordinary Shares will be in registered form and will be capable of being held either in certificated or uncertificated form.

- 2.14 The Ordinary Shares are, and the New Placing Shares will be, denominated in sterling.
- 2.15 Each New Placing Share will rank in full for all dividends and distributions declared made or paid after their issue and otherwise *pari passu* in all respects with each Existing Ordinary Share, and will have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each Existing Ordinary Share, as set out in the Articles.

3. Articles of Association

The New Articles contain, amongst other things, provisions to the following effect:

3.1 Objects

- 3.1.1 Pursuant to section 31 of the Act, the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by law.

3.2 Voting rights

- 3.2.1 Subject to any special terms as to voting upon which any shares may, for the time being, be held, at any general meeting on a show of hands every member who (being an individual) is present in person or by proxy or who (being a corporation) is present by a duly authorised representative shall have one vote and on a poll every member present in person or by proxy or by a representative shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

3.3 Variation of rights

- 3.3.1 If at any time the capital of the Company is divided into different classes of shares or any other rights or privileges attached to any class of shares in the Company and subject to the provisions of the Act and of the New Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. At every such separate general meeting (except an adjourned meeting) the quorum shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

3.4 Changes in share capital

- 3.4.1 The Company may alter its share capital as follows:
- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares which have not been taken or agreed to be taken by any person;
 - (ii) subject to the provisions of the Act and to any rights for the time being attached to any shares, it may by special resolution reduce or cancel its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
 - (iii) subject to the provisions of the Act and to any rights for the time being attached to any shares, it may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

3.5 *Transfer of shares*

3.5.1 A member may transfer all or any of his shares, save for those shares held in uncertificated form title to which may be transferred by means of a relevant system such as CREST without a written instrument, by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register a transfer of any share held in certificated form unless it is:

- (i) in respect of a share which is not fully paid up;
- (ii) in respect of a share on which the Company has no lien;
- (iii) in respect of only one class of share;
- (iv) in favour of a single transferee or not more than four joint transferees;
- (v) duly stamped (if required); and
- (vi) lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that the Board does not exercise such discretion to prevent dealings in the shares from taking place on an open and proper basis.

3.5.2 The Board may also refuse to register a transfer of shares (whether fully paid or not) which is in favour of more than four persons jointly.

3.5.3 If the Board refuses to register a transfer it must, within 2 months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee along with its reasons for refusal.

3.6 *Uncertificated shares*

3.6.1 The Company may issue shares and other securities which do not have certificates and permit existing shares and other securities to be held without certificates.

3.6.2 A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

3.7 *Dividends*

3.7.1 Subject to the provisions of the Act and of the New Articles and to any special rights attaching to any shares, the Company may by ordinary resolution in a general meeting declare dividends, provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Board. The Board may from time to time pay such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

3.7.2 Except as otherwise provided by the New Articles, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Generally, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

- 3.7.3 No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest.
- 3.7.4 The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend. The Board may, at its discretion, make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.
- 3.7.5 Any dividend unclaimed for a period of 12 years after the payment date for such dividend shall (if the Board so resolves) be forfeited and cease to remain owing by the Company and shall thereafter revert to the Company absolutely.
- 3.8 ***Return of Capital***
- 3.8.1 On a winding-up or other return of capital of the Company, the members will be entitled to share in any surplus assets. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets to be set as such value and in such manner as shall be deemed fair by the liquidator. A liquidator, with the sanction of a special resolution, may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.
- 3.9 ***Pre-emption rights***
- 3.9.1 There are no rights of pre-emption under the New Articles in respect of transfers of issued Ordinary Shares.
- 3.9.2 In the majority of circumstances (unless dis-applied by special resolution), the Company's shareholders will have statutory pre-emption rights under the Act in respect of the allotment of new equity securities in the Company. These statutory pre-emption rights require the Company to offer new equity securities for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such equity securities would be offered to the Company's shareholders.
- 3.10 ***Shareholder Meetings***
- 3.10.1 Annual general meetings should be held within the time periods specified by the Act. Other general meetings may be called whenever the Directors think fit or when one has been requisitioned in accordance with the Act. Two members present in person or by proxy (or being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.
- 3.10.2 Annual general meetings are called on at least 21 days notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.
- 3.10.3 The Company may specify in the notice of meeting a time, at least 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote or a person nominated pursuant to the New Articles is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

3.11 *Untraceable shareholders*

- 3.11.1 The Company is entitled to sell, at the best price reasonably obtainable, any share, of a member who is untraceable, provided that:
- (i) all cheques or warrants for any sums payable in cash to the holder of such shares have remained uncashed and each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends has failed for a period of 12 years;
 - (ii) during the 12 year period, at least three dividends (whether interim or final) in respect of the shares in question have become payable and no dividend during that period has been claimed by the member;
 - (iii) the Company has not during that time or before the expiry of the three-month period referred to in paragraph (iv) below received any communication in respect of such share from such member or person entitled; and
 - (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in newspapers in the manner stipulated by the Articles, giving notice of its intention to sell these shares, and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention.
- 3.11.2 The net proceeds of any such sale shall belong to the Company and when the Company receive these net proceeds the Company shall become indebted to the former member for an amount equal to such net proceeds and the Company shall enter the name of such former or other person in the books of the Company as a creditor for such amount.

3.12 *Directors*

- 3.12.1 Directors may be appointed by the Company by an ordinary resolution of the Board, either to fill a vacancy or as an addition to the existing Board. If appointed by the Board, that Director holds office until the next annual general meeting, at which he shall be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at the meeting.
- 3.12.2 At every annual general meeting one third of the Directors shall retire from office, or if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office by rotation.
- 3.12.3 At the meeting at which a Director retires under any provision of the Articles, the retiring Director shall be deemed to have been re-appointed except where:
- (i) that Director has given notice to the Company that he is unwilling to be elected; or
 - (ii) at such meeting it is expressly resolved not to fill such vacated office or a resolution for the re-appointment of such Director shall have been put to the meeting and not passed.
- 3.12.4 No Director shall vacate his office or be ineligible for appointment or re-appointment as a Director by reason only of his having attained any particular age, nor will special notice be required of any resolution appointing or approving the appointment of such a Director or any notice be required to state the age of the person to whom such resolution relates.
- 3.12.5 As is usual for quoted companies, the New Articles contain a cap on the aggregate fees which the Directors shall be entitled to receive for their services in the office of director (other than remuneration for Executive Directors). The New Articles state that these fees shall not exceed £400,000 per annum (exclusive of VAT if applicable), or such other sum as may from time to time be determined by an ordinary resolution of the Company. The actual fees paid (unless otherwise directed by any resolution of the Company by which a limit is approved) shall be determined by the Directors and shall be paid in such proportions and in such manner as the Board may determine.

- 3.12.6 All the Directors (including alternate directors) are entitled to be repaid out of the funds of the Company all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.
- 3.12.7 If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.
- 3.12.8 A Director may act by himself or his firm in a professional capacity (other than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- 3.12.9 The remuneration and other terms and conditions of appointment of a Director appointed as managing director or to chief executive office of the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Board on such terms as the Board thinks fit.
- 3.12.10 Any statutory provision which, subject to the provisions of the New Articles, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

3.13 *Directors' interests in contracts*

- 3.13.1 Save as provided in the New Articles or by the terms of any authorisation given by the Directors, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.
- 3.13.2 If a question arises as to the right of a Director to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question may, before the conclusion of the meeting, be referred to the chairman (or vice chairman should the question concern an interest of the chairman) of the meeting and his ruling shall be final and conclusive, except in a case where the nature or extent of the interest has not been fairly disclosed and provided that any such question shall, for the purposes of disclosure of the interest in the accounts of the Company, be finally and conclusively decided by a majority of the Board.
- 3.13.3 A Director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:
- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

- (iii) where the Company or any of its subsidiary undertakings is offering shares or debentures or other securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (iv) relating to another company in which he or any persons connected with him has a direct or indirect interest (whether as an officer or shareholder or otherwise) provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent, or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant article to be a material interest in all circumstances);
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

3.13.4 Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more Directors, such proposals may be divided and a separate resolution considered in relation to each Director. In each case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

3.14 *Indemnity*

3.14.1 Subject to the provisions of any relevant legislation, the Company may indemnify any Director, alternate director and other officer of the Company (other than an auditor) against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation to those duties.

3.15 *Borrowing powers*

3.15.1 The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present or future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.16 *Disclosure of interests in shares*

3.16.1 Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests.

3.16.2 Where notice is served by the Company under section 793 of the Companies Act (“**section 793 notice**”) on a member, or on another person appearing to be interested in shares held by that member, and that member or other person has failed to give the Company the information required within the period set out in the section 793 notice, certain sanctions may apply (as determined by the Board) including:

- (i) the member shall not be entitled to be present or vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll in respect of the default shares; and

(ii) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:

- the member shall not be entitled to receive any dividend or other distribution, or shares in place of a dividend;
- no transfer of the shares shall be registered except in certain specified circumstances.

3.16.3 Subject to certain restrictions, the above sanctions shall cease to apply with effect from the date that the Company receives notice of an excepted transfer (but only in respect of the shares transferred) or seven days after receipt by the Company of all the information required in the section 793 notice.

3.16.4 The New Articles do not restrict in any way the provisions of section 794 of the Companies Act.

4. Share Options

4.1 Introduction

4.1.1 The Company has granted options under the Share Option Scheme, the Equity Incentive Plan and pursuant to Unapproved Option Agreements. All these options have been granted to directors, employees, former employees, contractors or consultants to the Group.

4.1.2 As at 16 June 2011 (being the latest practicable date before the date of this document), options over 2,150,490 ordinary shares have been granted at exercise prices ranging from £0.14 to £1.05. The majority of these options vest one third on the first anniversary, one third on the second anniversary and the balance on the third anniversary of the date of grant.

4.1.3 The Board believes that the retention of senior management will be a key driver to the success of the Company. Consequently, the Company intends to review its employee share option arrangements following Admission. It is likely that further share options will be granted to incentivise employees. Any further share options to be granted will be under terms normally applicable to share options granted by companies quoted on AIM.

4.2 Principle Terms of the Share Option Scheme

4.2.1 Grant of options

Options may be granted to eligible employees by the Board or the Trustees of a trust established by the Company (provided the trust together with the Share Option Scheme constitute an Employees Share Scheme under the Companies Act 2006).

Options intended to be EMI options must meet the requirements of Schedule 5 of ITEPA relating to Enterprise Management Incentives (“EMI”).

4.2.2 Option Conditions

An option may be granted subject to conditions set out in an option holder’s option certificate.

4.2.3 Eligibility

Any employee who is an employee of a group company and in relation to EMI options whose committed time to group companies amounts to not less than 25 hours per week or, if less, 75 per cent. of his working time and who does not have a material interest in the Company, shall be eligible to participate.

4.2.4 Non-transferability of Option

An option may only be exercised by the individual option holder (or by his personal representatives in the case of death). Any attempt to transfer or assign an option shall result in the immediate lapse of the option.

4.2.5 *Limit on the granting of an EMI option*

An EMI option may not be granted to a qualifying employee if it would cause the aggregate market value of his/her shares subject to all qualifying EMI options and any option granted under a scheme approved under Schedule 4 to ITEPA 2003 to exceed £120,000.

A qualifying EMI option may not be granted if as a result of such grant the aggregate market value of the Ordinary Shares subject to all qualifying EMI options would exceed £3,000,000 or the gross assets of the group would exceed £30 million.

Where a qualifying employee has been cumulatively granted EMI options with an aggregate market value equal to or greater than £120,000, any further options granted within three years is to be treated as an unapproved option.

4.2.6 *Exercise price*

The price per share to be paid on the exercise of an option shall be determined by the Board and is the market value of an ordinary share at the date of grant unless the Board determines that it shall be in the interests of the Company to use a different price. The price per ordinary share cannot be less than the nominal value where the option will be satisfied by the issue of new shares.

4.2.7 *Exercise of options*

Options may be exercised in whole or in part from the date specified in an option holder's option certificate to the tenth anniversary of the date of grant. Options may be exercised earlier on the occurrence of certain specified events including a takeover, reconstruction or amalgamation of the company. In certain circumstances an option holder may be permitted to exchange his option under the Share Option Scheme for options over the shares of an acquiring company, subject to the agreement of the acquiring company.

4.2.8 *Employees leaving the Company*

If an option holder ceases to be a Director or employee (1) as a result of any fraudulent or dishonest act or omission or (2) as a result of any act of gross misconduct or gross incompetence or (3) as a result of any other event that the Board resolves to be of a serious nature and detrimental to the goodwill of the Company or (4) as a result of becoming bankrupt, the options held by the option holder shall lapse immediately.

Where an option holder dies, his personal representatives may exercise the option, to the extent that it is capable of exercise in accordance with the conditions as set out in the option certificate, for a period of twelve months from the date of death.

In any other circumstances, the option holder may, to the extent that the option is capable of exercise in accordance with the conditions set out in the option certificate, exercise the option within thirty days from the date of cessation.

The Company has the discretion to increase the extent to which such an option is exercisable and to increase the period during which the option will remain exercisable.

4.2.9 *Variation of share capital*

In the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital or any other variation of capital or other capital reorganisation, the number of shares subject to an option and/or the option price may be adjusted by the Board or the Trustees together with the Board.

4.2.10 *Tax indemnity*

Option holders have to indemnify the Company for any income tax and employee and employer national insurance contributions arising in respect of the grant or exercise of an option.

4.2.11 *Relationship of the scheme to contract of employment*

The grant of an option does not form part of the option holder's entitlement to remuneration or benefits pursuant to the option holder's contract of employment. The grant of an option shall not afford any rights or additional rights to compensation or damages.

Neither the grant nor any benefit which may accrues shall form part of that option holder's pensionable remuneration for the purposes of any pension scheme.

4.2.12 *Administration*

The Share Option Scheme shall be administered by the Board (in respect of options granted by it) or the Trustees (in respect of options granted by the Trustees). The Board or the Trustees (as the case may be) may make and vary such regulations as they think fit. In the event of any dispute or disagreement the decision of the Board or the Trustees (as the case may be) is final and binding. Where the Trustees have granted an option, they shall consult with, and take account of the wishes of, the Board before making any determination or exercising any power or discretion under the Share Option Scheme.

4.2.13 *Alteration of the Share Option Scheme*

The Board may alter the rules of the Share Option Scheme provided no alteration to the rules will effect any option granted prior to the date of such alteration without the consent of the option holders.

4.2.14 *Miscellaneous*

The Company shall keep available sufficient authorised but unissued Ordinary Shares to enable it to satisfy the exercise in full or all options to subscribe for shares.

4.3 ***Principle terms of the Equity Incentive Plan***

4.3.1 *Grant of options*

Options may be granted by the Company to eligible employees.

4.3.2 *Option conditions*

Stock option agreements set out the conditions by which options shall vest and become exercisable. Options are also subject to the Company's 2006 Equity Incentive Plan.

All stock option agreements provide for options to vest, one third on the first anniversary of the date of grant, one third on the second anniversary of the date of grant and the balance on the third anniversary of the date of grant.

4.3.3 *Exercise price*

The price per share to be paid on the exercise of an option shall be determined by the Board and is the fair market value of an ordinary share at the date of grant.

4.3.4 *Exercise of options*

Options may be exercised in whole or in part to the extent vested and up to the tenth anniversary of the date of grant. Options may be exercised earlier at the discretion of the Board on the occurrence of certain specified events including a takeover, the sale of the assets of the Company, a reconstruction or amalgamation of the company.

4.3.5 *Non-transferability of Option*

An option may only be exercised by the individual option holder (or by his personal representatives in the case of death). Any attempt to transfer or assign an option shall result in the immediate lapse of the option.

4.3.6 *Employees leaving the Company*

If an option holder ceases to be a Director or employee (1) as a result of any fraudulent or dishonest act or omission or (2) as a result of any act of gross misconduct or gross incompetence or (3) as a result of any other event that the Board resolves to be of a serious nature and detrimental to the goodwill of the Company or (4) as a result of becoming bankrupt, the options held by the option holder shall lapse immediately.

Where an option holder dies, his personal representatives may exercise the option, to the extent that it is capable of exercise in accordance with the conditions as set out in the stock option agreement, for a period of twelve months from the date of death.

If an option holder leaves employment due to a disability, the option holder may to the extent that the option is capable of exercise in accordance with the conditions set out in the stock option agreement, exercise the option within three months from the date of cessation.

In any other circumstances, the option holder may, to the extent that the option is capable of exercise in accordance with the conditions set out in the stock option agreement, exercise the option within thirty days from the date of cessation.

4.3.7 *Variation of share capital*

In the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital or any other variation of capital or other capital reorganisation, the number of shares subject to an option and/or the option price may be adjusted by the Board.

4.3.8 *Relationship of the scheme to contract of employment*

The grant of an option does not confer upon the option holder any rights or additional rights to continue in the employment of the Company or shall interfere with or restrict in any way the rights of the Company to discharge the option holder with or without cause.

4.3.9 *Administration*

The Share Option Scheme shall be administered by the Board. In the event of any dispute or disagreement the decision of the Board is final and binding.

4.4 ***Principle terms of the Unapproved Option Agreements***

4.4.1 *Grant of options*

Options are granted by the Board.

4.4.2 *Option Conditions*

Each Unapproved Option Agreement sets out all the rules relating to the Option.

All options agreements issued provide for options to vest, one third on the first anniversary of the date of grant, one third on the second anniversary of the date of grant and the balance on the third anniversary of the date of grant.

4.4.3 *Non-transferability of Option*

An option may only be exercised by the individual option holder (or by his personal representatives in the case of death). Any attempt to transfer or assign an option shall result in the immediate lapse of the option.

4.4.4 *Exercise price*

The price per share to be paid on the exercise of an option is determined by the Board.

4.4.5 *Exercise of options*

Options may be exercised in whole or in part to the extent the option has vested and up to the tenth anniversary of the date of grant. Options may be exercised earlier on the occurrence of a sale of the company.

4.4.6 *Employees leaving the Company*

If an option holder ceases to be a Director or employee (1) as a result of any fraudulent or dishonest act or omission or (2) as a result of any act of gross misconduct or gross incompetence or (3) as a result of any other event that the Board resolves to be of a serious nature and detrimental to the goodwill of the Company or (4) as a result of becoming bankrupt, the options held by the option holder shall lapse immediately.

Where an option holder dies, his personal representatives may exercise the option, to the extent that it is has vested at the date of death, for a period of twelve months from the date of death.

In any other circumstances, the option holder may, to the extent that the option is capable of exercise in accordance with the conditions set out in the option certificate, exercise the option within thirty days from the date of cessation.

4.4.7 *Tax indemnity*

Option holders have to indemnify the Company for any income tax and employee and employer national insurance contributions or equivalent taxes elsewhere arising in respect of the grant or exercise of an option.

4.4.8 *Alteration of Unapproved Option Agreements*

The Board may amend, vary or change any of the terms of an Unapproved Option Agreement.

5. **Significant Shareholders**

- 5.1 As at the date of this document insofar as it is known to the Directors, the following persons (in addition to those disclosed in paragraph 7 of this Part 4) are or will immediately following Admission be interested in three per cent. or more of the Enlarged Issued Share Capital:

<i>Name</i>	<i>Prior to Admission and prior to the issue of the Additional Shares</i>		<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Fidelity Investments Limited	1,360,544	7.7%	1,638,322	7.7%
David Gerard Theriault	1,082,000	6.2%	1,032,000	4.8%
Amati Global Investors Limited	340,136	1.9%	750,691	3.5%
Newton Investment Management Limited	0	0%	693,144	3.2%
Arthur Chance	643,584	3.7%	654,695	3.1%
Blackrock Investment Management (UK) Limited	0	0%	645,000	3.0%
Timothy Cadman	596,500	3.4%	476,500	2.2%

- 5.2 As at the date of this document and immediately following Admission, none of the Company's significant Shareholders have or shall have different voting rights from other Shareholders.
- 5.3 The Company is not aware of any person who, directly or indirectly, owns or controls the Company and the Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

6. Directors

- 6.1 The full names and ages of the Directors of the Company are set out in paragraph 10 of Part 1 of this document. No Director has had a previous name.
- 6.2 Other than their directorships of the Company, the current directorships and partnerships of the Directors and the directorships and partnerships held by them within the five years prior to the date of this document are as follows:

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Richard Terence Green	Ubisense Limited Ubisense AG Ubisense Inc Ubisense SAS Ubisense Solutions Inc	Infotech Enterprises Europe Limited Ten Sails LLP
Gordon Michael Campbell	Ubisense Limited Ubisense AG Ubisense Inc Ubisense SAS Ubisense Solutions Inc	Ten Sails LLP
Peter George Harverson	Aspex Semiconductors Limited Brady plc Circus Mews Bath Management Company Limited eoSemi Limited CRFS Limited	Ten Sails LLP
Professor Andrew (Andy) Hopper CBE	RealVNC Limited Cambridge Computer Lab Ring VNC Group Limited VNC Limited	Cambridge Wireless Limited Solarflare Communications Limited Adventiq Limited Cambridge 123 Limited Cambridge Communications Systems Limited
Jonathan Keith Lomas	Contact Lens Precision Laboratories Limited Vision Partners Limited Tissot Medical Research S.A. Ultravision International Limited	
Dr. Richard (Dick) Gordon Newell	Prion Limited Contact Lens Precision Laboratories Limited Vision Partners Limited Thompson Media Partners Limited Tissot Medical Research S.A.	Ten Sails LLP
Dr. Robert Daniell Sansom	Greater Cambridge Partnership CRFS Limited Moviestorm Limited Cambridge in America (UK) Limited Azuro, Inc. Fetch Technologies, Inc. Netronome Systems, Inc.	Azuro (UK) Limited Arc International Cambridge Limited Daniell & Sons Limited Cambridgeshire Horizons Limited Reciva Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Paul Ronald Taylor	Anite Plc	Aveva Solutions Limited Cadcentre Pension Trustee Limited Aveva Engineering IT Limited Aveva Consulting Limited Aveva Group Plc Cadcentre Limited Cadcentre Engineering IT Limited Aveva Managed Services Limited Aveva Limited Tribon Solutions (UK) Limited Aveva Inc. Aveva GmbH Aveva S.A. Aveva AS Aveva East Asia Aveva Sendrian Berhad Aveva AB Aveva Information Technology Aveva Pty Aveva do Brasil Informática Ltda Cadcentre Property Limited

- 6.3 Save as disclosed in paragraph 6.4 of this Part 4, at the date of this document, none of the Directors has:
- 6.3.1 any unspent convictions in relation to indictable offences;
 - 6.3.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
 - 6.3.3 Save as disclosed in paragraph 6.4 below, been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of the company or within the 12 months after he ceased to be a director of that company;
 - 6.3.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 6.3.5 been the owner of any assets or a partner in any partnership which owned any assets which have been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
 - 6.3.6 been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or
 - 6.3.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of a company.
- 6.4 As set out in the table at paragraph 6.2 above, each of Gordon Campbell, Richard Green, Peter Harverson and Dick Newell were members of Ten Sails LLP (a limited liability partnership incorporated under number OC304383). The members of Ten Sails LLP voluntarily appointed liquidators on 17 July 2006 and the partnership was dissolved with effect from 26 July 2007. The dissolution of Ten Sails LLP was part of the restructuring that resulted from the creation of the Group in its current form.

7. Interests of Directors

- 7.1 The interests of the Directors (all of which are beneficial, unless otherwise stated), and (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) the interests of persons connected with the Directors (within the meaning of section 252 of the Act), in the issued share capital of the Company as at the date of this document and in the Enlarged Issued Share Capital as at Admission will be as follows:

<i>Name</i>	<i>Prior to Admission and prior to the issue of the Additional Shares</i>		<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share capital</i>
Richard Terence Green	1,434,179*	8.2%	1,443,011**	6.7%
Gordon Michael Campbell	76,039***	0.4%	87,987****	0.4%
Peter George Harverson	59,606	0.3%	65,161	0.3%
Professor Andrew Hopper CBE	225,000	1.3%	225,000	1.1%
Jonathan Keith Lomas	36,601	0.2%	47,712	0.2%
Dr. Richard Gordon Newell	615,577	3.5%	643,354	3.0%
Dr. Robert Daniell Sansom	2,049,232	11.7%	2,493,676	11.6%
Paul Ronald Taylor	0	0%	0	0%

* Including 111,111 Ordinary Shares held in the Richard Green Children's Trust.

** Including 119,943 Ordinary Shares held in the Richard Green Children's Trust.

*** Including 46,539 Ordinary Shares held by Gordon Campbell's wife, Claire Campbell.

**** Including 58,487 Ordinary Shares held by Gordon Campbell's wife, Claire Campbell.

- 7.2 In addition, the interests of the Directors in unissued Ordinary Shares under share options that have been granted to them, in each case for nil consideration, are:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Number of Ordinary Shares under options that have vested</i>	<i>Exercise price</i>	<i>Latest date of exercise</i>
Richard Terence Green	76,278	25,426	£0.14	18 March 2020
Richard Terence Green	100,000	0	£1.05	16 May 2021
Gordon Michael Campbell	120,500	40,167	£0.14	18 March 2020
Gordon Michael Campbell	32,500	0	£1.05	16 May 2021
Peter George Harverson	91,333	30,444	£0.14	18 March 2020
Professor Andrew Hopper CBE	20,278	6,760	£0.14	18 March 2020
Jonathan Keith Lomas	0	0	—	—
Dr. Richard Gordon Newell	1,056	352	£0.14	18 March 2020
Dr. Robert Daniell Sansom	0	0	—	—
Paul Ronald Taylor	0	0	—	—

- 7.3 In addition, the interests of the Directors in unissued Ordinary Shares pursuant to the Convertible Loans are:

<i>Name</i>	<i>Convertible Loan amount outstanding</i>	<i>Conversion price per Ordinary Share</i>	<i>Number of Ordinary Shares to be issued on conversion</i>
Richard Terence Green*	£7,949	£0.90	8,832
Gordon Michael Campbell**	£10,753.70	£0.90	11,948
Peter George Harverson	£5,000	£0.90	5,555
Professor Andrew Hopper CBE	—	—	—
Jonathan Keith Lomas	£10,000	£0.90	11,111
Dr. Richard Gordon Newell	£25,000	£0.90	27,777
Dr. Robert Daniell Sansom	£400,000	£0.90	444,444
Paul Ronald Taylor	—	—	—

* Including a convertible loan of £7,949 held in the Richard Green Children's Trust.

** Including a convertible loan of £10,753.70 held by Gordon Campbell's wife, Claire Campbell.

- 7.4 Save as disclosed in paragraphs 7.1, 7.2 and 7.3 above, the Directors are not aware of any interests of persons connected with them (within the meaning of section 252 of the 2006 Act).
- 7.5 There are no outstanding loans granted by the Company to any Director, nor are there any guarantees provided by the Company for their benefit.
- 7.6 No Director or any member of his family has a related financial product referenced to the Ordinary Shares.

8. Directors' Service Contracts and Letters of Appointment

- 8.1 Richard Green was appointed a director of the Company on 10 November 2005. Ubisense Limited entered into a new service agreement with Richard Green on 10 February 2011. This sets out the terms of his appointment as Chief Executive Officer. Under the agreement, Richard Green is entitled to a salary of £125,000 per annum and a bonus, which is subject to the achievement of financial targets and is not guaranteed. Either party may terminate the agreement on six months' notice. The agreement restricts Richard Green from being engaged in or making a material investment in any other business (including competitors). There are also provisions which, in the event of termination, restrict Richard Green from engaging in or having an interest in a competitor and restrict him from soliciting or dealing with the Group's customers (and prospective customers); interfering with the Group's suppliers, distributors, licensees and licensors; and poaching key employees of the Group. Each of these restrictions apply for a period of six months following the termination of employment. The agreement contains strong provisions protecting the Group's confidential information and intellectual property.
- 8.2 Gordon Campbell was appointed a director of the Company on 9 September 2010. Ubisense Limited entered into a new service agreement with Gordon Campbell on 14 February 2011. This set out the terms of his appointment as Chief Financial Officer. Under the agreement, Gordon Campbell is entitled to a salary of £95,000 per annum and a bonus, which is subject to the achievement of financial targets and is not guaranteed. Either party may terminate the agreement on six months' notice. The agreement restricts Gordon Campbell from being engaged in or making a material investment in any other business (including competitors). There are also provisions which, in the event of termination, restrict Gordon Campbell from engaging in or having an interest in a competitor and restrict him from soliciting or dealing with the Group's customers (and prospective customers); interfering with the Group's suppliers, distributors, licensees and licensors; and poaching key employees of the Group. Each of these restrictions apply for a period of six months following the termination of employment. The agreement contains strong provisions protecting the Group's confidential information and intellectual property.

- 8.3 Professor Hopper was appointed a director of the Company on 10 November 2005. The Company entered into a letter of appointment with Professor Hopper on 18 May 2011. This letter of appointment sets out the terms of Professor Hopper's appointment as non-executive Chairman. Professor Hopper was appointed for an initial period of three years save that either party may terminate the appointment on one months' notice. Under the letter of appointment, Professor Hopper is entitled to an annual fee of £15,000 and reimbursement of reasonable expenses but no other remuneration. There are provisions which restrict the disclosure of the Group's confidential information.
- 8.4 Keith Lomas was appointed a director of the Company on 19 December 2008. The Company entered into a letter of appointment with Keith Lomas on 18 May 2011. This letter of appointment sets out the terms of Keith Lomas' appointment as a non-executive director. Keith Lomas was appointed for an initial period of three years save that either party may terminate the appointment on one months' notice. Under the letter of appointment, Keith Lomas is entitled to an annual fee of £6,000 and reimbursement of reasonable expenses but no other remuneration. There are provisions which restrict the disclosure of the Group's confidential information.
- 8.5 Dr Sansom was appointed a director of the Company on 16 December 2005. The Company entered into a letter of appointment with Dr Sansom on 18 May 2011. This letter of appointment sets out the terms of Dr Sansom's appointment as a non-executive director. Dr Sansom was appointed for an initial period of three years save that either party may terminate the appointment on one months' notice. Under the letter of appointment, Dr Sansom does not currently draw a fee but he is entitled to reimbursement of reasonable expenses but no other remuneration. There are provisions which restrict the disclosure of the Group's confidential information.
- 8.6 Dick Newell was appointed a director of the Company on 16 December 2005. The Company entered into a letter of appointment with Dick Newell on 18 May 2011. This letter of appointment sets out the terms of Dick Newell's appointment as a non-executive director. Dick Newell was appointed for an initial period of three years save that either party may terminate the appointment on one months' notice. Under the letter of appointment, Dick Newell is entitled to an annual fee of £3,000 (although this has been waived at present) and reimbursement of reasonable expenses but no other remuneration. There are provisions which restrict the disclosure of the Group's confidential information.
- 8.7 Peter Harverson was appointed a director of the Company on 10 November 2005. The Company entered into a letter of appointment with Peter Harverson on 20 April 2011. This letter of appointment sets out the terms of Peter Harverson's appointment as a non-executive director. Peter Harverson was appointed for an initial period of three years save that either party may terminate the appointment on one months' notice. Under the letter of appointment, Peter Harverson is entitled to an annual fee of £15,600 and reimbursement of reasonable expenses but no other remuneration. There are provisions which restrict the disclosure of the Group's confidential information.
- 8.8 The Company entered into a letter of appointment with Paul Taylor on 15 February 2011 and Paul Taylor was appointed as a director of the Company with effect from 28 February 2011. The letter of appointment sets out the terms of Paul Taylor's appointment as a non-executive director. Paul Taylor was appointed for an initial period of three years save that either party may terminate the appointment on one months' notice. Under the letter of appointment, Paul Taylor is entitled to an annual fee of £15,000 and reimbursement of reasonable expenses but no other remuneration. There are provisions which restrict the disclosure of the Group's confidential information.
- 8.9 There are no Directors' service agreements or contracts for services entered into by Ubisense Limited or the Company which expire or are terminable with more than twelve months' notice.
- 8.10 Other than as disclosed in this document, there is no service contract, or contract in the nature of services, between any Director and the Company.

- 8.11 Other than disclosed in the Admission Document, none of the service contracts, letters of appointment or contracts of employment of any of the members of the Company's administrative, management or supervisory bodies provide for benefits upon termination of employment, other than notice.

9. Corporate Governance

- 9.1 The Directors support high standards of corporate governance. As an unquoted company, as at the date of this document the Company has not been required to, nor has it fully complied with, the provisions of the UK Corporate Governance Code. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, the Directors intend to apply the principles as far as practicable and appropriate for a public company of the Company's nature and size.
- 9.2 As envisaged by the UK Corporate Governance Code the Company has established three committees: an audit committee, a remuneration committee and a nomination committee details of which are set out below.
- 9.3 The Company has a single independent director, being Paul Taylor.
- 9.4 The UK Corporate Governance Code recommends that a formal induction process should be put in place for new directors. The Company currently has an informal procedure in place which is described in paragraph 9.8.4 of this Part 4.
- 9.5 The UK Corporate Governance Code recommends that the board should undertake a formal rigorous annual evaluation of its own performance and that of its committees and individual directors. This is not currently the case, but going forward it is intended that this will be the case and the Company's annual report will state how the performance evaluation of the board, its committees and its individual directors has been conducted each year. The non-executive directors also intend to separately evaluate the performance of the executive directors.
- 9.6 There is currently no formal re-election process in place for board members as recommended by the UK Corporate Governance Code although the New Articles contain provisions that require one third of the directors to retire by rotation.
- 9.7 The Company has whistleblowing arrangements in place, as recommended by the UK Corporate Governance Code.

9.8 Board

- 9.8.1 The Board currently comprises two executive and six non-executive Directors and reflects a blend of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive have been split by the Board for several years and there is a clear division of responsibility between the two.
- 9.8.2 The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs and the Board's role is to provide entrepreneurial leadership of the Company.
- 9.8.3 There are a number of matters reserved specifically for decision by the Board and these include:
- (i) reviewing operating and financial performance;
 - (ii) ensuring that appropriate management development and succession plans are in place;
 - (iii) determination of corporate strategy, including consideration and approval of the Company's annual strategy review;
 - (iv) establishment of dividend policy;
 - (v) approval and acceptance of all new committed funding facilities;

- (vi) approval and acceptance of major changes in the capital structure of the Company;
- (vii) reviewing and approving formal treasury policies relating to funding, liquidity, transactional foreign exchange and interest rate risk management;
- (viii) reviewing the health and safety and environmental performance of the Company;
- (ix) approval of corporate acquisitions, mergers, divestments, joint ventures and major capital expenditure; and
- (x) receiving, reviewing and approving recommendations by the designated committee on matters related to Audit, Nominations and Remuneration.

9.8.4 Upon appointment, Directors undertake an informal induction process involving, amongst other things, familiarisation with the Company's strategy, culture, financial position and business operations (including visits to the Company's principal subsidiaries) and formal training as required. Any further individual training requirements are provided as necessary and the Directors continually update and refresh their skills and knowledge.

9.8.5 The Company Secretary is tasked with ensuring that Board procedures are followed and that applicable rules and regulations are complied with. In addition, Directors may, in furtherance of the execution of their duties, take independent professional advice, if necessary at the Company's expense.

9.8.6 The Board normally has at least 10 scheduled meetings a year and, as detailed above, has agreed a schedule of matters specifically reserved to it for decision. Briefing papers on items for consideration are circulated to each Director two days prior to a Board Meeting. The non-executive Directors meet regularly throughout the year without the Executive Directors present.

9.9 ***Committee details***

Audit Committee

9.9.1 Summary

The audit committee of the Company is tasked with considering how the Board should apply the financial reporting and internal control principles of the Company, and maintaining an appropriate relationship with the Company's auditors.

9.9.2 Membership

The Audit Committee is appointed by the Board, on the recommendation of the Nomination Committee.

The Audit Committee must be made up of only non-executive Directors and comprise at least two members.

As at the date of this document, the Audit Committee comprises 3 non-executive Directors of the Company and an observer. The members are:

- (i) Paul Taylor (chairman)
- (ii) Keith Lomas
- (iii) Dick Newell
- (iv) Andy Hopper (observer)

Appointments to the Audit Committee shall be for a period of up to three years, which may be extended for two further three year periods.

No person other than the members of the Audit Committee is entitled to be present at meetings but others may be invited to attend by the Audit Committee.

The external auditors usually attend meetings of the Audit Committee. At each meeting, there is an opportunity for the external auditors to discuss matters with the Audit Committee without any executive management being present. It is intended that the Audit Committee has independent access to the external auditors and the external auditors have direct access to the Chairman of the Audit Committee outside formal Audit Committee meetings.

9.9.3 Meetings

The quorum for the transaction of business of the Audit Committee shall be two members present in person.

The Audit Committee meets at least 4 times a year, including meetings before the annual and half year results announcements and at the planning stage of the annual external audit process.

9.9.4 Decision making

Each member of the Audit Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit Committee.

If a matter that is considered by the Audit Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

Save where he has a personal interest, the Chairman shall have a casting vote.

All decisions of the Audit Committee shall be formally reported to the Board by the Chairman. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and shall compile a report on its activities to be included in the Company's annual report.

9.9.5 Function and Duties

Amongst other things, the Audit Committee monitors the integrity of the financial statements of the Company, and reviews summary financial statements and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.

In particular, the Audit Committee reviews and challenges, where necessary:

- (i) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (ii) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (iii) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);

Unless expressly addressed by a separate Board risk committee composed of independent Directors, or by the Board itself, the Audit Committee reviews the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, and reviews and approves the statements to be included in the Company's annual report concerning internal controls and risk management;

The Audit Committee also reviews the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

Internally, the Audit Committee monitors and reviews the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and approves the appointment and removal of the head of the internal audit function.

Externally, the Audit Committee considers and makes recommendations to the Board, for it to put to the shareholders for their approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Audit Committee oversees the selection process for new auditors and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required.

At the same time, the Audit Committee oversees the relationship with the Company's external auditor, including (but not limited to) approving their remuneration and their terms of engagement.

Remuneration Committee

9.9.6 Summary

The Company's Remuneration Committee ensures that the executive Directors are fairly rewarded for their individual contributions to the overall performance of the Company and determines all elements of the remuneration of the executive Directors. By the appointment of the Remuneration Committee, the Company demonstrates to its shareholders that the remuneration of the executive Directors is set by a Board committee, whose members have no personal interest in the outcome of such committee's decision and who will have appropriate regard to the interests of those shareholders.

9.9.7 Membership

The members of the Remuneration Committee shall be appointed by the Board from amongst the non-executive Directors, on the recommendation of the Nomination Committee. The Remuneration Committee must have at least two members.

The chairman of the Remuneration Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Board shall determine how long the chairman should hold office.

As at the date of this document, the Remuneration Committee comprises 4 non-executive Directors of the Company and an observer. The members are:

- (i) Peter Harverson (chairman)
- (ii) Keith Lomas
- (iii) Robert Sansom
- (iv) Paul Taylor
- (v) Andy Hopper (observer)

The Chairman of the Committee is appointed by the Board.

Appointments to the Remuneration Committee shall be for a period of up to three years, which may be extended for two further three year periods.

9.9.8 Meetings

The quorum for the transaction of business of the Remuneration Committee shall be two members present in person.

The Remuneration Committee shall meet at least twice a year and otherwise as required.

9.9.9 Decision making

Each member of the Remuneration Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Remuneration Committee.

If a matter that is considered by the Remuneration Committee is one where a member of the Committee, either directly or indirectly, has a personal interest, then that member shall not be permitted to vote at the meeting.

Save where he has a personal interest, the Chairman shall have a casting vote.

All decisions of the Remuneration Committee shall be formally reported to the Board by the Chairman. The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and shall compile a report on its activities to be included in the Company's annual report.

9.9.10 Role

The duties of the Remuneration Committee are to, amongst other things:

- (i) determine and agree with the Board the framework or broad policy for the remuneration of the chairman of the Board, the Company's chief executive, the executive Directors, the company secretary and such other members of the executive management as it is designated to consider. No Director or manager shall be involved in any decisions as to their own remuneration;
- (ii) in determining such policy, take into account all factors which the Remuneration Committee deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and the AIM Rules for Companies and associated guidance;
- (iii) when settling remuneration policy for Directors, review and have regard to the remuneration trends across the Company and the group;
- (iv) review the ongoing appropriateness and relevance of the remuneration policy;
- (v) within the terms of the agreed policy and in consultation with the chairman and/or chief executive, as appropriate, determine the total individual remuneration package of the chairman of the Board, each executive Director, company secretary and other designated senior executives including bonuses, incentive payments and share options and other share awards;
- (vi) approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- (vii) review the design of all share incentive plans for approval by the Board and shareholders;
- (viii) oversee any major changes in employee benefits structures throughout the Company and the group;
- (ix) make whatever recommendations to the Board it deems appropriate on any area within its remit, where action or improvement is needed; and
- (x) make a statement in the Company's annual report on the Company's remuneration policy and practices.

The Committee is authorised by the Board to:

- (i) investigate any activity within its terms of reference;

- (ii) seek any information it requires from any employee of the Company, in order to perform its duties;
- (iii) within any budgetary restraints imposed by the Board, to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference; and
- (iv) within any budgetary restraints imposed by the Board, to appoint, at the Company's expense, remuneration consultants and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.

Nomination Committee

9.9.11 Summary

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. Although the Nomination Committee makes recommendations to the Board, nominations to the Board are ultimately considered by the Board as a whole.

9.9.12 Membership

The members of the Nomination Committee shall be appointed by the Board from amongst the non-executive Directors. The Nomination Committee must have at least two members.

As at the date of this document, the Nomination Committee comprises 4 non-executive Directors of the Company. The members are:

- (i) Robert Sansom (chairman)
- (ii) Peter Harverson
- (iii) Dick Newell
- (iv) Andy Hopper

Appointments to the Nomination Committee shall be for a period of up to three years, which may be extended for two further three year periods.

9.9.13 Meetings

The quorum for the transaction of business of the Nomination Committee shall be two members present in person.

The Nomination Committee shall meet at least twice a year and otherwise as required.

The Nomination Committee may invite any person it thinks appropriate to join the members of the Nomination Committee at its meetings.

9.9.14 Decision making

Each member of the Nomination Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Nomination Committee.

If a matter that is considered by the Nomination Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

Save where he has a personal interest, the Chairman shall have a casting vote.

All decisions of the Nomination Committee shall be formally reported to the Board by the Chairman. The Nomination Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and shall compile a report on its activities to be included in the Company's annual report.

9.9.15 Role

Amongst other things, the Nomination Committee shall:

- (i) regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, compared to its current position and make recommendations to the Board with regard to any changes;
- (ii) give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- (iii) be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- (iv) review the results of the Board performance evaluation process that relate to the composition of the Board;
- (v) keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the group to compete effectively in the marketplace;
- (vi) review annually the time required from non-executive Directors and performance evaluation should be used to assess whether the non-executive Directors are spending enough time to fulfil their duties;
- (vii) make whatever recommendations to the Board it deems appropriate on any area within its remit, where action or improvement is needed;
- (viii) make a statement in the Company's annual report about the activities of the Nomination Committee; and
- (ix) consider such other matters as may be requested by the Board.

The Nomination Committee shall be responsible for making recommendations to the Board concerning:

- (i) formulating plans for succession for both executive and non-executive Directors and, in particular, for the key roles of chairman of the Board and chief executive;
- (ii) suitable candidates for the role of senior independent Director;
- (iii) membership of the audit and remuneration committees of the Company, and any other Board committees as appropriate, in consultation with the chairmen of those committees;
- (iv) the appointment of any Director to executive or other office.

The Nomination Committee shall report annually on the Board's behalf to the Company's shareholders. Its report shall accompany the Directors' report in the Company's annual report and accounts. The Nomination Committee's report will include information about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.

9.10 *Share Dealing Code*

The Company has adopted and will operate a share dealing code for Directors and applicable employees in order to ensure compliance with Rule 21 of the AIM Rules and will take proper steps to ensure compliance by the Directors and those employees.

9.11 *Anti-Corruption and Bribery Policy*

The Company has adopted and will operate an Anti-Corruption and Bribery Policy for Directors and all employees in order to ensure compliance with anti-corruption and bribery law (in particular, the Bribery Act 2010) and will take proper steps to ensure compliance by the Directors and those employees.

10. Material Contracts

- 10.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries and are or may be material or may contain a provision under which a member of the Group has an obligation or entitlement which is material to the Group as at the date of this document.

Placing Agreement

- 10.2 Pursuant to a placing agreement dated 16 June 2011 between the Company, the Directors and Canaccord Genuity, Canaccord Genuity has agreed, subject to certain conditions, to use all reasonable endeavours to procure subscribers for the New Placing Shares.
- 10.3 The Placing Agreement is conditional upon, amongst other things, Admission taking place on or before 22 June 2011 or such later date as Canaccord Genuity and the Company may agree (but in any event not later than 31 December 2011) and the Placing Agreement having become unconditional in all respects and not having been terminated in accordance with its terms.
- 10.4 Subject to the terms and conditions of the Placing Agreement, the Company will pay to Canaccord Genuity a corporate finance fee of £175,000 (exclusive of VAT) and a commission based on a percentage of the aggregate proceeds from the issue of the New Placing Shares. The Placing Agreement also provides for the payment by the Company to Canaccord Genuity of a performance fee based on a percentage of the aggregate proceeds of the Placing (which shall be payable at Admission and at the Company's discretion) and the payment of a break fee in the event that Admission has not taken place by 31 December 2011. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing of the Placing Shares and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing of the Placing Shares, including printing and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.
- 10.5 The Placing Agreement contains certain customary warranties given by the Company and the Directors in favour of Canaccord Genuity as to, amongst other things, the accuracy of information contained in this document and a customary indemnity from the Company in favour of Canaccord Genuity.
- 10.6 Canaccord Genuity may terminate the Placing Agreement prior to Admission in certain specific circumstances customary in the context of a placing and admission to AIM.

2010 Placing Agreement

- 10.7 Pursuant to the terms of a placing agreement dated 8 November 2010 between the Company, the Directors and Canaccord Genuity (the “**2010 Placing Agreement**”), Canaccord Genuity procured subscribers for 2,380,951 Ordinary Shares at a price of 147 pence per Ordinary Shares raising gross proceeds of £3.5 million for the Company. Under the terms of the 2010 Placing Agreement, the Company paid Canaccord Genuity a corporate finance fee of £30,000 (exclusive of VAT) and a commission based on a percentage of the aggregate proceeds from the issue of such Ordinary Shares. The 2010 Placing Agreement contained customary warranties given by the Company and the Directors in favour of Canaccord Genuity and a customary indemnity from the Company in favour of Canaccord Genuity.

Nominated Adviser and Broker Agreement

- 10.8 Pursuant to an agreement dated 16 June 2011 made between the Company, the Directors and Canaccord Genuity, Canaccord Genuity has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules.
- 10.9 Under the terms of the Nominated Adviser and Broker Agreement, Canaccord Genuity shall provide, amongst other things:
- 10.9.1 advice to the Company and Directors in relation to matters concerning the London Stock Exchange and the AIM Rules; and
- 10.9.2 advice to the Company and Directors on all other matters relevant to a company whose shares are admitted to trading on AIM.

- 10.10 Under the Nominated Advisor and Broker Agreement, the Company has agreed to pay Canaccord Genuity a retainer fee as well as payment of any out-of-pocket expenses reasonably incurred by Canaccord Genuity in connection with the performance of its services under the Nominated Adviser and Broker Agreement.
- 10.11 After an initial fixed term of 12 months from the date upon which the Placing Agreement becomes unconditional in accordance with its terms, the Nominated Adviser and Broker Agreement is terminable on three months' notice given by either Canaccord Genuity or the Company. The Nominated Adviser and Broker Agreement contains provisions for early termination in certain circumstances and also a customary indemnity given by the Company to Canaccord Genuity in relation to the provision by Canaccord Genuity of its services under the Nominated Adviser and Broker Agreement.

Canaccord Warrant Agreement

- 10.12 Pursuant to the terms of Canaccord Genuity's engagement with the Company and to the terms of a warrant instrument dated 16 June 2011, the Company has agreed to issue, on Admission, to Canaccord Genuity warrants equal to 0.5 per cent. of the Enlarged Share Capital ("**Canaccord Warrant**"). Each warrant issued shall entitle the holder to acquire one Ordinary Share at the Placing Price.

Lock-in Arrangements

- 10.13 Each of the Directors, who will, following Admission, hold in aggregate 5,005,901 Ordinary Shares (representing 23.4 per cent. of the Enlarged Share Capital), have severally undertaken that (subject to certain exceptions set out in the deeds relating to these lock-in arrangements) they will not and will procure that none of their Associates will, without the prior written consent of the Company and Canaccord Genuity, for a period of 12 months from Admission, dispose of, directly or indirectly, any Ordinary Shares or any options or other rights of whatsoever nature, to subscribe for, or convert or exchange any securities into, or otherwise acquire, any Ordinary Shares.

Facility Agreement

- 10.14 Ubisense Limited entered into a facility agreement with HSBC Bank Plc on 22 February 2008 pursuant to which HSBC Bank plc, as lender, has made available to the Group a facility of up to £2,000,000. The facility is expressed to be for working capital purposes and is on generally standard terms for a loan agreement of this type. The amount from time to time outstanding under the facility is guaranteed by each member of the Group and is secured under the terms of the following security documents:

- 10.14.1 Guarantee to HSBC Bank plc given by the Company, Ubisense Limited, Ubisense Inc and Ubisense AG.

The Guarantee is a composite guarantee in HSBC Bank plc's standard form entered into by the Company, Ubisense Limited, Ubisense Inc and Ubisense AG dated 14 March 2008 with each company guaranteeing the obligations of all of the other companies.

- 10.14.2 Debentures granted by Ubisense Limited and the Company in favour of HSBC Bank plc.

Both Ubisense Limited and the Company have entered into debentures in the Bank's standard form to secure all monies which they owe to HSBC Bank plc.

- 10.14.3 Security agreement granted by Ubisense Inc in favour of HSBC Bank plc.

The security agreement was entered into by Ubisense Inc and HSBC Bank plc on 22 February 2008. The security agreement is governed under the laws of Delaware in the United States. The agreement provides that the Bank shall have security over the assets of Ubisense Inc for the payment of its obligations pursuant to the guarantee.

- 10.14.4 Global assignment agreement granted by Ubisense AG in favour of HSBC Bank plc.

The global assignment agreement was made between Ubisense AG and HSBC Bank plc on 17 March 2008. The agreement is governed by German law.

Warrant Agreement

- 10.15 At the same time as entering into the Facility Agreement referred to above, HSBC Bank plc and the Company entered into a warrant agreement pursuant to which the Company granted HSBC Bank plc certain rights to be issued with warrants to subscribe for Ordinary Shares upon each drawdown by the Group pursuant to the Facility Agreement.
- 10.16 On 16 May 2011, the Company issued warrants over 115,350 Ordinary Shares to HSBC Bank plc pursuant to the terms of the Warrant Agreement (“**Warrants**”).
- 10.17 In consequence of Admission, the Company has agreed with HSBC Bank plc that HSBC Bank plc will exercise the Warrants immediately prior to Admission and therefore, on Admission, the Company will issue 115,350 Ordinary Shares to HSBC Bank plc. HSBC Bank plc has indicated that it intends to sell these shares on Admission.
- 10.18 No further draw down is permissible under the terms of the Facility Agreement and accordingly HSBC Bank plc shall have no further right to be issued with Warrants to subscribe for Ordinary shares as a result of, or in connection with, the Facility Agreement.

11. Selling Shareholders

- 11.1 The names and business addresses and the nature of any position or office or other material relationship with the Group held by a Selling Shareholder within the last three years is set out below together with the number of Selling Shares attributable to such Selling Shareholder.
- a. Peter Batty of Ubisense Inc. 5445 DTC Parkway, Suite #1110, Greenwood Village, CO 80111, USA was a founder of Ten Sails. Having left to pursue other interests, Peter returned to Ubisense in January 2010 as Vice President of Geospatial technology.
 - b. Jonathan Bresler of Ubisense Inc. 5445 DTC Parkway, #1110 Greenwood Village, CO 80111, USA has been a Senior Consultant with Ubisense since 2003 and has provided GIS solutions to utility clients during his consultancy.
 - c. Timothy Cadman of 119 Old Still Road, Sapphire, NC, 28774, USA has had no relationship with the Company in the last three years.
 - d. Martin Cartwright of 71 Storeys Way, Cambridge, CB3 0DR was the former Finance Director of Ubisense. He left the Group in 2009 and has no further relationship with the Group.
 - e. Edgar Cooper of Ubisense Inc. 5445 DTC Parkway, #1110 Greenwood Village, CO 80111, USA, has been an employee of Ubisense since 2003.
 - f. Rupert Curwen of Ubisense Limited, St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, CD4 1DL was one of the founders of Ubisense and has been an employee of the Company since its establishment.
 - g. Peter Joseph Steggles of Ubisense Limited, St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, CD4 1DL was one of the founders of Ubisense and has been an employee of the Company since its establishment.
 - h. Nicola Terry of 130 Chesterton Road, Cambridge, CB4 1DA has had no relationship with the Company in the last three years.
 - i. David Theriault of 303 Beaux Arts Building, 10-18 Manor Gardens, London was one of the founders of Ten Sails and is still an employee of the Group.
 - j. Andrew Ward of Ubisense Limited, St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, CD4 1DL was one of the founders of Ubisense and has been an employee of the Company since its establishment.
 - k. Paul Webster of Ubisense Limited, St. Andrew’s House, 90 St. Andrew’s Road, Chesterton, Cambridge, CD4 1DL was one of the founders of Ubisense and has been an employee of the company since its establishment.

- l. HSBC Bank plc of 8 Canada Square, London, E14 5HQ has been the Company's bankers since February 2008.
- m. Octopus Investments Limited of 20 Old Bailey, London, EC4M 7AN has been a shareholder of the Company since November 2010 and has no other relationship with the Company.

<i>Shareholder</i>	<i>Number of Ordinary Shares held prior to Admission but following the issue of the Additional Shares</i>	<i>Number of Selling Shareholder Shares</i>	<i>% of total Ordinary Shares held prior to Admission but following the issue of the Additional Shares</i>
Peter Batty	518,500	200,000	38.6%
Jonathan Bresler	294,500	49,000	16.6%
Timothy Cadman	596,500	120,000	50.0%
Martin Cartwright	493,555	400,000	81.0%
Edgar Cooper	310,503	310,503	100.0%
Rupert Curwen	397,000	119,100	30.0%
Peter Steggles	397,000	100,000	25.2%
Nicola Terry	247,519	22,000	8.9%
David Theriault	1,082,000	50,000	4.6%
Andrew Ward	397,000	119,000	30.0%
Paul Webster	432,500	95,000	22.0%
HSBC Bank plc	115,350	115,350	100.0%
Octopus Investments Limited	340,136	340,136	100.0%
Total	5,259,194	2,040,089	

12. Related Party Transactions

- 12.1 There are no related party transactions that the Company or any subsidiary undertaking has entered into during the period covered by the historical financial information set out in Part 3 and up to the date of this document.

13. Investments

- 13.1 During the period covered by the historical financial information, the Company did not make any investments. There are also no investments made, being made by the Company or to be made in the future in respect of which firm commitments have been made.

14. Employees

- 14.1 The number of employees of the Group at the end of each of the last three financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 and on 16 June 2011 (being the latest practicable date prior to the publication of this document) was as follows:

<i>Activity</i>	<i>31 December 2008</i>	<i>31 December 2009</i>	<i>31 December 2010</i>	<i>16 June 2011</i>
Research and Development	8	10	14	14
Sales and Marketing	19	16	22	26
Administration	7	8	9	9
Delivery/consultants	46	53	68	80
TOTAL	80	87	113	129

- 14.2 During the financial year ended 31 December 2010 (being the most recent full financial year of the Company) the Company employed 42.5 temporary employees on average.

15. United Kingdom Taxation

15.1 General

- 15.1.1 The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HM Revenue & Customs in the United Kingdom regarding the ownership and disposal of Ordinary Shares and does not constitute tax advice. Levels and bases of taxation, along with current UK tax legislation and current HM Revenue & Customs practice are subject to change, possibly with retrospective or retroactive effect. Notably the Finance Act 2011, which will be enacted later in 2011 (upon receipt of Royal Assent which is, at the date of this document, expected to be around July – August 2011) may include provisions which ultimately impact the treatment set out in this section. Shareholders and potential investors should be aware that future legislative, administrative or judicial changes could affect the tax consequences outlined below.
- 15.1.2 This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares of the Company. It addresses certain limited aspects of the UK tax position of UK resident, ordinarily resident and domiciled Shareholders who are absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment (other than through an Individual Savings Account). This summary does not address the tax position of certain Shareholders who may be subject to special rules, such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds, insurance companies or any persons whose Ordinary Shares are “employment-related securities” (within the meaning of section 421B of the Income Tax (Earnings and Pensions) Act 2003).
- 15.1.3 Any Shareholder or potential investor who is in any doubt about their tax position, or who is subject to tax in a jurisdiction other than the UK, is strongly recommended to consult their own professional adviser immediately.

15.2 UK Tax on Capital Gains

- 15.2.1 A disposal (or deemed disposal) of Ordinary Shares by a Shareholder who is resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, will in general be subject to UK taxation on capital gains.
- 15.2.2 A Shareholder who is neither resident nor, in the case of an individual, ordinarily resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment, branch or agency and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency will be subject to UK tax on capital gains on the disposal (or deemed disposal) of those Ordinary Shares.
- 15.2.3 In addition, any holders of Ordinary Shares who are individuals and who dispose of those Ordinary Shares while they are temporarily resident outside the UK may be treated as disposing of them in the tax year in which they again become tax resident in the UK.
- 15.2.4 For UK individuals and trustees, capital gains are chargeable at a flat rate of 18 per cent. and/or 28 per cent. depending on the individual’s total taxable income and gains, subject to certain reliefs and exemptions (if applicable). For UK corporate Shareholders any gain would be taxed at the applicable rate of corporation tax for that Shareholder in the accounting period in which the disposal (or deemed disposal) occurs depending on their circumstances and subject to any reliefs available. Indexation may apply to reduce any such gain (though indexation is no longer available to individuals or trustees).

15.3 *UK Taxation of Dividends*

15.3.1 Under current UK tax legislation, no tax is withheld at source from dividend payments made by the Company.

(i) *Individuals*

UK tax resident individual Shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend payment. The rate of tax credit on dividends paid by the Company will be 10 per cent. of the aggregate total of the dividend payment and the tax credit (the "**gross dividend**") or 1/9th of the dividend payment.

UK tax resident individual Shareholders will generally be taxable on the gross dividend, which will be treated as the top slice of that Shareholder's income. An individual Shareholder who is not liable to UK income tax at a rate higher than the basic rate (currently 20 per cent.) will pay tax on the gross dividend at the dividend ordinary rate, currently 10 per cent. Accordingly, the tax credit will be treated as satisfying that individual Shareholder's liability to UK income tax in respect of the dividend and there will be no further tax to pay.

To the extent that a UK tax resident individual Shareholder's income (including the gross dividend) is subject to the higher rate of UK income tax (currently 40 per cent.), that Shareholder will be subject to UK income tax on the gross dividend at the dividend upper rate of 32.5 per cent. but will be able to set the tax credit against this liability. Accordingly, the additional UK income tax for such a Shareholder would be 22.5 per cent. of the gross dividend, which is equivalent to an effective tax rate of 25 per cent. on the net dividend received by that Shareholder.

To the extent that a UK tax resident individual Shareholder's income (including the gross dividend) is subject to the additional rate of UK income tax (currently 50 per cent.), that Shareholder will be subject to UK income tax on the gross dividend at the rate of 42.5 per cent. but will be able to set the tax credit against this liability. Accordingly, the additional UK income tax for such a Shareholder would be 32.5 per cent. of the gross dividend, which is equivalent to an effective tax rate of 36.1 per cent. on the net dividend received by that Shareholder.

The trustees of discretionary trusts are liable to account for income tax at the dividend trust rate, which is currently 42.5 per cent.

Tax credits are not repayable to any Shareholder with no liability to UK income tax or whose UK income tax liability does not exceed the amount of the tax credit.

(ii) *Corporates*

Subject to anti avoidance rules and certain exclusions for insurance companies and companies which hold shares as trading stock, a Shareholder which is a company resident in the UK for tax purposes, and which receives a dividend from the Company, is likely to be exempt from taxation, however, such shareholders should seek separate advice from their own professional advisers. However, such a corporate Shareholder would not be entitled to claim any repayment of the tax credit attaching to any such dividend.

15.4 *UK Stamp Duty and Stamp Duty Reserve Tax*

15.4.1 No liability to stamp duty or stamp duty reserve tax ("**SDRT**") should arise on the issue of the New Placing Shares pursuant to the Placing. Each Selling Shareholder shall be responsible for any stamp duty or SDRT that arises on the sale of their Selling Shareholder Shares.

- 15.4.2 Subsequent transfers of Ordinary Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration calculated to the nearest penny. Subsequent transfers of Ordinary Shares outside CREST will generally be liable to ad valorem stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up to the nearest £5). Payment of this ad valorem stamp duty generally “franks” any additional charge to SDRT which could arise in relation to the same transfer.

The comments set out above are intended only as a general guide to the current tax position in the UK at the date of this document and should not be construed as constituting advice. The rates and basis of taxation can change and will be dependent on a Shareholder's personal circumstances, and potential investors should obtain advice from their own professional advisers.

16. The Takeover Code

- 16.1 As the Company is a public limited company, it is subject to the provisions of the Takeover Code. The Takeover Code is based upon a set of ‘General Principles’ (which are essentially statements of standards of commercial behaviour) and has been designed to ensure:

16.1.1 that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover; and

16.1.2 that shareholders of the same class are afforded equivalent treatment by an offeror.

The Takeover Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Mandatory Offers

- 16.2 Under the Takeover Code, if an acquisition of shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Takeover Bids

- 16.3 As at the date of this document, there has been no public takeover bid by a third party for all or any part of the Company's equity share capital since its incorporation.

Squeeze-out

- 16.4 Under the Companies Acts, a person who makes an offer to acquire shares in the Company (an “offeror”) may require Shareholders to transfer their shares to the offeror, on the terms of that offer, provided that the offer is approved or accepted by the holders of 90 per cent. or more of the shares to which the offer relates within four months of the making of the offer. In order to enforce this right, the offeror must give notice to any Shareholder not approving or accepting the offer within two months of the end of that four month period, notifying them of the offeror's wish to acquire their shares in the Company (the “**Squeeze-out Notice**”). After the expiration of one month after the giving of the Squeeze-out Notice, the offeror can require that the Company registers the shares in their name provided that the consideration due to the holders of such shares is delivered to the Company to be held on trust for such Shareholders. Within one month of receiving the Squeezeout Notice, a Shareholder who has not approved or accepted the offer may apply to the Royal Court in Guernsey to cancel that notice if it thinks fit.

Sell-out

- 16.5 The Companies Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the shares, any holder of the shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares.
- 16.6 The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

17. Working Capital

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Group will, from the time of Admission, be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

18. Significant Change

There has been no significant change in the financial or trading position of the Group since 31 December 2010, being the date to which the last audited consolidated accounts of the Group were drawn up.

19. Litigation

There are no, and have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

20. General

- 20.1 The net total costs (including fees and commissions) (exclusive of recoverable VAT) payable by the Company in connection with the Placing and Admission are estimated to amount to £0.8 million. The estimated net cash proceeds accruing to the Company from the Placing are £4.2 million.
- 20.2 Following the issue of the Additional Shares and the New Placing Shares to be allotted pursuant to the Placing, the existing Shareholders immediately prior to Admission will experience a dilution of approximately 18 per cent. of their interests in the Company.
- 20.3 Grant Thornton UK LLP, a member of the Institute of Chartered Accountants in England and Wales and whose registered address is at Grant Thornton House, Melton Street, Euston Square, Euston, London NW1 2EP, is acting as Reporting Accountant and is also the Company's auditor. Grant Thornton LLP accepts responsibility for its reports set out in Part 3 of this document. To the best of the knowledge of Grant Thornton UK LLP (who have taken all reasonable care to ensure that such is the case), the information contained in its reports is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 20.4 Canaccord Genuity Limited has given and has not withdrawn its written consent to the inclusion in this document of its letter and name in the form and context in which it is included.
- 20.5 Grant Thornton UK LLP has given and has not withdrawn its written consent to the inclusion in this document of its letter and name in the form and context in which it is included.

- 20.6 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- 20.7 As at the date of this document, so far as the Directors are aware there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 20.8 The Company confirms that third party information is sourced where it appears in this document and has been accurately reproduced and so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 20.9 No person (other than the Company's professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more (calculated on the basis of 180p per share, being the expected opening price for trading of the Ordinary Shares) or any other benefit with a value of £10,000 or more at the date of this document.

21. Publication of this Document

- 21.1 Copies of this document shall be available on the Company's website: www.ubisense.net, and free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) from the Company at its registered office and from the offices of Mills & Reeve LLP, 130 Fenchurch Street, London, EC3M 5DJ from the date of this document until the date which is one month from the date of Admission.

