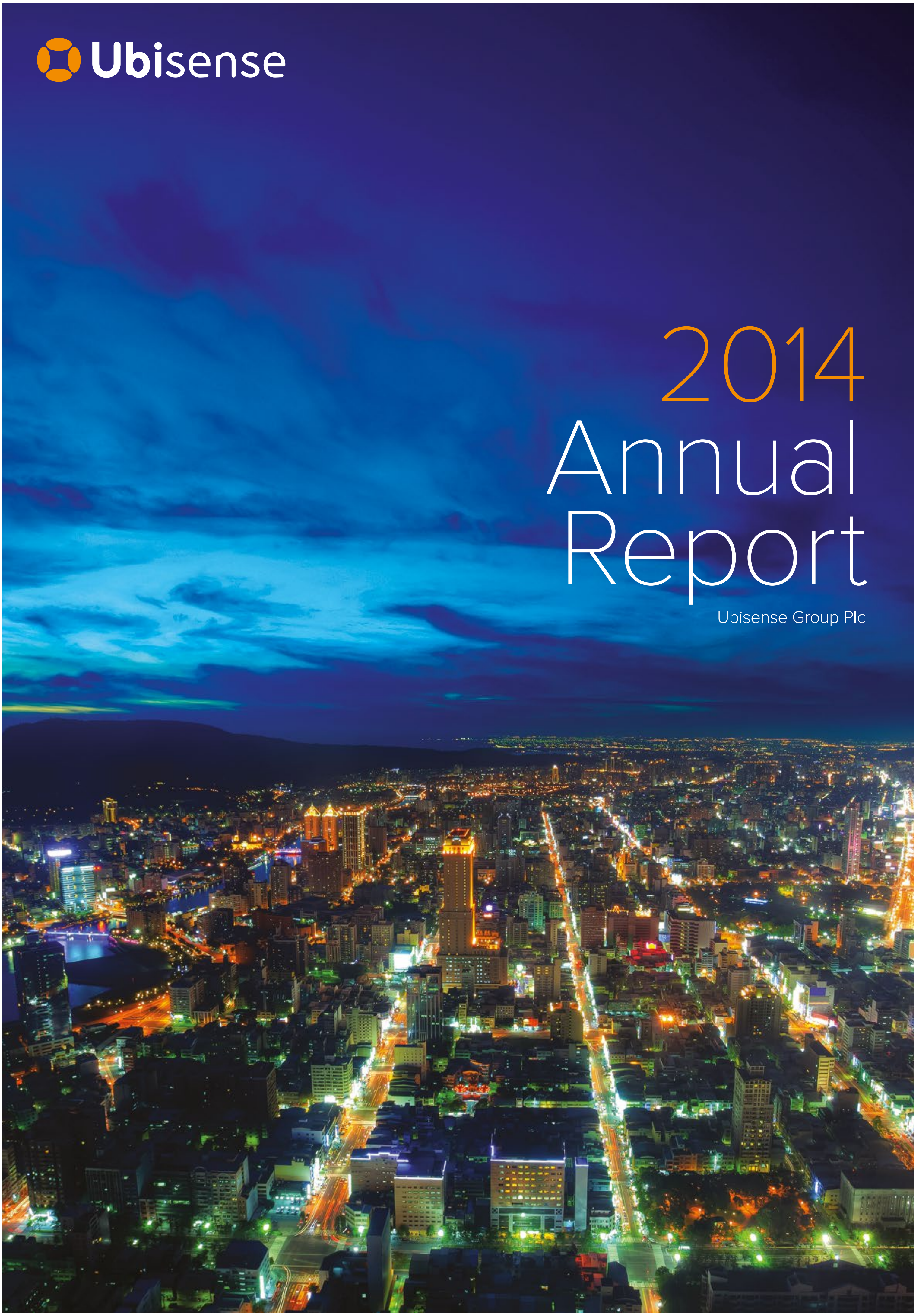
Ubisense

2014 Annual Report

Ubisense Group Plc



Enterprise Location Intelligence Solutions

We enable some of the world's largest businesses to improve operational effectiveness, significantly increasing their profitability.

Visit our website for further information on our company and products at ubisense.net

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Company Highlights

Financial highlights

Margins +5.7% 39.9% ↑	**Adjusted EBITDA** +73% £1.9m ↑
Core revenues +50% £20.1m ↑	**Cash and cash equivalents** (6.7%) £3.7m ↓

- The Group's stated policy is to grow revenues and margins from its Solutions businesses, resulting in Solutions contribution growing faster than Services. In 2014 for the first time Solutions revenues were greater than Services:
  - Solutions revenues (as above) grew by 49.8% to £20.1 million (2013: £13.4 million), of which £18.5 million, 42%, was organic
  - Services revenue grew by 10.3% to £15.0 million (2013: £13.6 million), organic revenues fell by £2.7 million, 21%.
- Recurring revenues grew by 27.3% as a result of the increasing focus on Solutions and now represent 28.1% of total revenues (2013: 26.5%). Within this total, the Solutions portion increased by almost 70%.
- Gross margin increased to 39.9% (2013: 34.2%).
- Adjusted EBITDA* was £1.9 million (2013: £1.1 million). However, a much higher amortisation charge of £3.7 million following the Geoplan acquisition plus various exceptional charges (£1.3 million) and non-recurring items (£1.1 million) led to an operating loss of £4.6 million (2013: £1.6m).
- £8.1 million bank facility to provide capacity to meet future working capital requirements, with £6.9 million drawn.

Strategic highlights

- The Group won its largest ever contract in each of its two core Solutions markets. (Daimler has installed Ubisense's Smart Factory product on its E-Class assembly line, and Duke Energy has deployed Ubisense's myWorld to approx. a quarter of its 20,000+ field operations personnel.)
- The Group signed up major new customers in both market segments: Tesla, Honda, Komatsu and CLAAS in automotive, and Exelon, NiSource and Liberty Utilities in utilities.
- 2014 saw a high number of extensions among existing customers for both Smart Factory and myWorld, including VW, Daimler, BMW, Toyota, John Deere, Central Hudson and Cablevision.
- Geoplan acquisition performing well and producing new Solutions revenue streams in Japan and South Korea.

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

OUR CHAIRMAN'S STATEMENT

As we predicted last year, Ubisense has travelled fast towards achieving its goal of becoming a global enterprise software and solutions business. We have achieved this by turning our location technology and experience into a vital component of the processes and practices of some of the world's best known businesses.

ANDY HOPPER, CBE
CHAIRMAN

In the Financial Review, you will see, in detail, how we have been able to increase revenues in our chosen core Solutions business, transitioning from the lower margin services element we had experienced in earlier years.

The response we have received from new and existing customers – as evidenced in the Chief Executive's Review – gives us great confidence that this is a sustainable trajectory which can create substantial value for shareholders.

I am immensely proud to have been associated with Ubisense since its inception, and in this statement I will focus on the context of our achievements in terms of the business and the technology that continues to be applied at the very highest level. Our priority is to ensure that we are market leader to our customers.

Why customers need us

First it must be understood that, in driving Enterprise Location Intelligence into two solution areas, we were anxious to prove that our ideas would have a genuine application in the commercial world. The combined entity, formed from my earlier Cambridge Computer Laboratory projects and Richard Green's unit (which had evolved from Smallworld), spent its early years providing proof of concept at a very high level. Having achieved this, it took us some years to find scalable commercial opportunities and it was not until 2008 that BMW helped us identify a critical commercial application of our IP, which became known as the Smart Factory product. That technology is now installed in 8 of the 15 major vehicle manufacturers in the world.

Similarly, our myWorld location intelligence product only came into being in 2012 by identifying a mission critical industry challenge after years of experience in the US utilities markets. Following significant new wins in the US in 2014 we also expect substantial growth in this market.

Shareholders should be aware that we are serving two of the largest markets in the world where the cost of "down-time" is measured in hundreds of dollars per minute – vehicle manufacturing and utility networks. These are not markets dependent on short-term trends or sudden new technology shocks. They are mature and require immense attention to detail at every level to continue to further drive down costs, to improve production or response times, to establish better quality, to retain customers and to respond to increasing health and safety regulation. Perhaps most importantly we help ensure that our customers' management has better visibility of their critical processes, so that mistakes are not repeated, assets are more swiftly identified or recovered and lessons learned, so that improvements can be made in assets, people and process.

So while Ubisense's products and expertise is genuinely differentiated and innovative, the demand for it is driven by that most fundamental customer need – to do the job better. This gives us great confidence that we are a business with a very long-term future.

However, I do want to draw attention to our continued preoccupation with providing the very best application of modern technological thinking and innovation.

Continued technological advance will keep us ahead

During 2014 we participated in a number of very important and exciting programmes:

- **Industry 4.0** This German Government inspired initiative is clearly key to any number of our automotive customers and the experience we have gained has kept us as a prime proponent of the skills and thinking needed to create advancement in this area. Ubisense has been a long-standing partner with the FIR (Institute for Industrial Management) at the RWTH Aachen University.
- **Manufacturing Technology Centre** We are also a partner at the Manufacturing Technology Centre (MTC) in Coventry, UK alongside major players such as Siemens and Rolls-Royce, and have been pleased to be amongst the first to demonstrate actual applications to assist digital enablement in the manufacturing process.
- **The University of Sheffield Advanced Manufacturing Research Centre (AMRC)** This newly formed UK Government backed initiative is developing the AMRC Factory 2050 initiative – the "factory of the future". Ubisense won a tender in November 2014 for the supply of a factory-wide system for tracking and monitoring. Once again we are one of the few partners to have already developed installable product into this new initiative.

All of the aforementioned is part of the broader market drive towards an industrial "internet of things", and the new impetus to create products which gather information and help enable intelligent production during their lifecycle. As you would expect, Ubisense, despite our youth and size, is very much at the cutting edge of this thinking.

Conclusion

In this Report you will see that we have made important financial steps to help us achieve our business goals during 2015 and beyond. The Company has transformed since Initial Public Offering (IPO) and is continuing to evolve from a Cambridge tech company into a global enterprise software business. But our technological and innovative expertise remains constant and these, combined with the robustness of the giant markets which we serve, give your Board great confidence for the future.

Andy Hopper, CBE
Chairman
16 March 2015

UBISENSE IN BRIEF

WHAT WE DO

Ubisense is a global leader in Enterprise Location Intelligence Solutions for Manufacturing, Communication and Utility companies.

Our Solutions leverage location data with other types of data from across the enterprise to enable some of the world's largest businesses to improve operational effectiveness, significantly increasing their profitability.

We unlock previously inaccessible intelligence and insight, which empower our customers to realise dramatic benefits in diverse application areas including tool control, logistics tracking, process analytics, quality management, network operations, field operations and asset management.

Our Solutions help all levels and locations of users – from the operator to senior management to the boardroom – to achieve significant improvements, exploiting new operational possibilities by gaining visibility while leveraging their current best practices and procedures.

Ubisense has a proven track record of enabling companies to gain significant value from a single starting point, and seamlessly expand deployments to extend the value across a wide range of locations and operations.

Ubisense Location Intelligence Solutions are proven to give businesses new abilities and operational intelligence, allowing them to evolve, refine and even transform operational effectiveness in a dramatic and measurable way.

> "Once customers start to unleash location intelligence, the possibilities are limitless.

SMART FACTORY OVERCOMING MANUFACTURING BUSINESS CHALLENGES

The global automotive manufacturing industry is growing rapidly, and it is evolving. It is estimated that by 2019 manufacturers will be producing a staggering 100 million light vehicles per year. But selective pressures are forcing companies to adapt their processes, or risk losing out.

Ubisense Smart Factory is a production-proven solution designed specifically to help manufacturers better exploit their vehicle assembly processes, and meet the demands of their volatile marketplace.

Managing complexity and product variation

There is now an unfathomable level of complexity and product variation confronting vehicle manufacturers, and it is increasing. This presents an enormous array of challenges: controlling worker mistakes; ensuring that assets and tools are in the right place at the right time; interpreting vast quantities of enterprise information... the list goes on. Smart Factory provides the adaptive control and automation required to cope with multiple, complex process variations on the same assembly line.

Cost and waste reduction

Just meeting the most essential needs for product development increases overheads by around 4% each year, yet vehicle companies are unable to offset this expense onto customers. With Smart Factory manufacturers can drive measurable cost reduction and lean, optimised procedures throughout their assembly process.

Coping with accelerated innovation

The percentage of each vehicle's sale value that comes from its component parts is on the rise, and this is driving a fundamental shift in the market environment. Innovation that occurs on a supplier level is immediately and simultaneously available to all OEMs. No one can afford to fall behind, but the increased up-take of new parts means that burdensome assembly line re-fits are required more and more frequently. Smart Factory gives manufacturers an unprecedented ability to refine and improve their processes, by delivering real-time knowledge and data-driven insights into their operations.

How it works

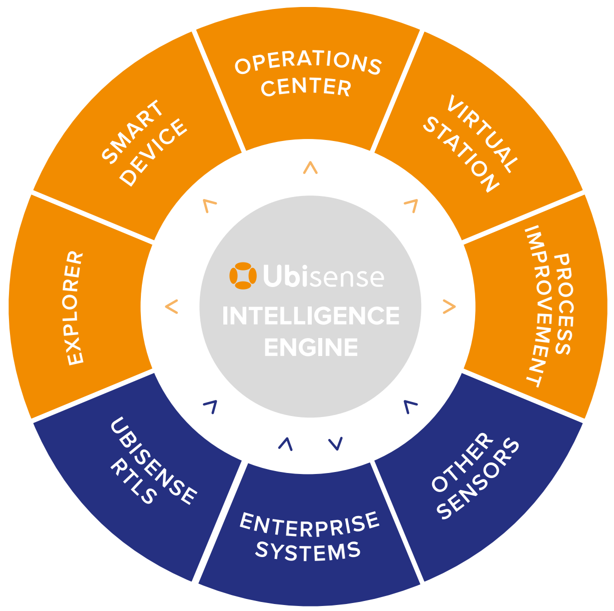
Smart Factory gathers location data, and data from existing plant systems and devices. The system combines this information, correlating the real-time process interactions with operational details, to deliver a virtual interpretation of exactly what's going on in the factory.

By leveraging this knowledge, Smart Factory empowers automation and drives widespread improvements to users' manufacturing processes.

What manufacturers get

- Measurable cost reduction, with lean, optimised procedures throughout the assembly process
- Guaranteed productivity gains, as errors and wasted time are reduced or eliminated
- Reduced cost of quality, by maximising right-first-time and reducing the cost of rework
- The ability to manage product customisation, through error-proofing and guiding increasingly variable manual processes.

The Smart Factory model



MYWORLD
OVERCOMING NETWORKS BUSINESS CHALLENGES

Organisations that excel in operations and maintenance empower their people with the knowledge resources they need to do their jobs. They strive to make data interpretation simple and sharing fast – from the field, to the office, and back again. When that happens, the right decisions are made faster, costs reduce and customer experience improves. Ubisense myWorld is a means to achieve exactly that.

Ubisense myWorld integrates data from multiple sources and uses a Google Maps style interface to deliver actionable information to field and office users. myWorld enables network organisations to meet the demands of internal and external stakeholders without burdening their IT infrastructure.

Unlocking critical information

Utility and Telecoms companies store their critical location and enterprise data inside one or more disconnected business systems, which are typically only accessible by a small group of trained personnel. This means that staff in key operational roles have very limited access to the knowledge they need to make the best decisions day to day. myWorld enables every person in the enterprise to leverage the power of maps, spatial data and other task-relevant information, so that their jobs can be completed with optimal efficiency.

Transitioning to the future

Networks enterprises are not technology enabled. Their operations are based around paper processes, which are disconnected, laborious and error prone. However, the steps required to level-up network enterprises are perceived to be too costly, disruptive and risk laden for them to progress. myWorld delivers flexible technology and connectivity without burdening a company's IT infrastructure. Its innovative browser-based approach greatly simplifies myWorld deployment and administration, removing barriers to technology adoption.

Coping with external pressures

It is estimated that within the next five years electric utilities will lose up to 30% of their revenue due to changes in the industry, and there are similar environmental pressures affecting the Telecom and Gas sectors. The only way to stay profitable and thrive in this arena is to reduce costs and wasted time. myWorld is specifically developed to help companies to correlate issues, identify performance trends, and prioritise activities, so that they can drive enterprise-wide efficiencies.

How it works

Ubisense myWorld is a web and mobile platform that integrates data from multiple sources – companies' existing GIS products, other enterprise systems and external information – into one, single view. It supports anyone in an organisation with access to a map-based overview of detailed network data, whether they're online or offline.

What utilities get

- Make better use of data, and leverage external information
- Share actionable knowledge between office and field workers
- Optimise inspections, servicing and maintenance activities
- Improve emergency response times
- Uphold compliance and integrity
- Boost customer service performance and increase customer retention.

> “myWorld: Simple, smart and fast applications that improve operations and maintenance efficiency for Utilities and Telecoms enterprises.

> “In terms of value creation, the project has been a complete success.
> **Project Manager, BMW Regensburg**

HOW WE HELPED

BOOSTING PRODUCTIVITY AT BMW

BMW, renowned for innovation and ultra-efficiency, implemented Ubisense Smart Factory in its Regensburg car manufacturing plant to automate tool control and eliminate manual barcode scanning, driving widespread efficiency gains.

UBISENSE SMART FACTORY

Challenge

BMW urgently needed to gain better visibility of its operations and eliminate inefficiencies.

Every day, more than 1,000 cars are manufactured at BMW Regensburg with multiple models produced on the same assembly line, each to an exact customer specification. Achieving this level of productivity and customisation involves many thousands of complex processes. With so many interactions happening simultaneously, errors, delays and waste were proving impossible to monitor and avoid.

Solution

Using its best-in-class real-time location system (RTLS) to track thousands of interactions along the BMW assembly line and instantly adapt tool settings, Ubisense Smart Factory enabled BMW factory workers to seamlessly complete their processes and meet their objectives, without delaying operations.

Ubisense Smart Factory completely eliminated manual barcode scanning at the plant, saving time and helping factory workers avoid costly mistakes. The Smart Factory automatic identification capabilities allowed the BMW team to easily rebalance operations to maintain optimal production flow.

Results

By implementing Ubisense Smart Factory at the Regensburg plant, BMW was able to completely eliminate costs related to manual tool control, minimise line stoppages and significantly reduce cycle time. It has saved hundreds of unproductive hours a day, cut the risk of errors and minimised the amount of rework. Empowered with unprecedented levels of visibility into their manufacturing processes, BMW can now make better informed, data-driven decisions to continually streamline and enhance operations at the plant.

HOW WE HELPED

ENABLING RAPID RECOVERY FROM HURRICANE SANDY

Ubisense myWorld gave a major cable operator unprecedented operational visibility to pinpoint widespread damage to infrastructure, prioritise response efforts and restore service to customers.

UBISENSE MYWORLD

Challenge

The devastation caused by Hurricane Sandy left nearly 8 million businesses and households without power in 15 states and the District of Columbia. The largest Atlantic hurricane on record, it caused widespread flooding and power failures that wiped out cable service in the Northeast.

Sixty-five percent of one cable operator's customer base was without service, and the company quickly realised it needed to gain much greater operational visibility to fully comprehend the extent of the storm damage. Without this critical insight the cable company would be unable to effectively manage its disaster response teams.

Solution

Ubisense had just begun working with this major cable provider to deploy Ubisense myWorld, and was able to accelerate the deployment to just 36 hours so that the cable operator could respond to Hurricane Sandy's destruction.

Ubisense myWorld delivered an unprecedented degree of operational awareness, and allowed the cable operator to quickly assess the 450 miles of cable that had been damaged across 16,000 locations, and prioritise and streamline restoration efforts accordingly.

Results

The cable operator was the first of those impacted by the storm to restore service to its customers. It was able to respond more quickly and effectively than the other network operators impacted by the storm's devastation, and provided accurate and timely information to utility partners – helping them with their critical restoration efforts.

"The largest Atlantic hurricane on record, and the second most costly hurricane in United States history, caused widespread flooding and power failures that wiped out cable service in the Northeast.

CHIEF EXECUTIVE'S REVIEW

In last year's Annual Report, I wrote about the exceptional progress we had made in developing our strategic and product focus in order to enable us to improve how we approach our key markets – vehicle manufacturing, utilities and communications.

RICHARD GREEN
CHIEF EXECUTIVE OFFICER

This year I am very pleased to report that the strategy is bearing fruit. We have reached a watershed in terms of contracts and customers won in our target industries around the globe and I believe our company stands on the threshold of significant gains in Solutions revenue, margin growth and profitability, which will take us to a new level as a business.

Highlights

In both of our key revenue streams – vehicle manufacturing (via Smart Factory RTLS products) and networks asset management (via myWorld geospatial products) we have this year won our two largest and most important customer contracts in our company's history.

- Existing customer Daimler has deployed Smart Factory to support the production process of its flagship next-generation Mercedes E-Class model in the assembly line at Sindelfingen, Stuttgart. This significant new contract comes after our proven installation on the S-Class assembly line at the same factory and shows precisely how our Solutions are capable of adaption and adoption by existing customers to enhance their processes for multi-line and multi-site use.

  In other words we are capable of generating new sales from existing customers at an ever increasing rate, as our skills and understanding of their business and technical needs grow apace.

- In network asset management, we won a major new contract with Duke Energy in North Carolina, one of the largest power utility companies in North America, to install our myWorld product across almost a quarter of their field operations personnel. The contract followed the merger of Duke with Progress Energy and we competed against the existing incumbent providers. Ubisense proved that it has critical differentiators over vastly larger installed competitors.

  And while we cannot rest on our laurels, we would hope to increase our installed base with companies like Duke Energy, increasing the scale of what we can do for them from 25% of their field operations workforce to 50% of their customer-facing and field operations and beyond in the foreseeable future.

New customers

We were also pleased to be selected by a number of new household-name customers in our target markets.

In vehicle manufacturing we signed breakthrough Smart Factory deals with automotive manufacturers Honda, and with Tesla, the electric car manufacturer. We also were delighted to sign our first deal with Komatsu and CLAAS, the heavy vehicle specialists.

Following on from the excellent work we are doing for John Deere, we see further opportunities to develop in vehicle manufacturing areas such as agricultural and construction, diversifying from automotive to a wider range of applications and business segments.

In network asset management we added Exelon, NiSource, Duke Energy and Liberty Utilities as new myWorld customers. I should remind shareholders that it was Duke Energy that was a significant managed services customer for Ubisense where we had proven our expertise as a partner. This enabled us to be considered, compete and ultimately win our first myWorld installation at Duke Energy against much larger, incumbent competitors.

Existing customers

2014 was also notable for solid growth of expanded installations amongst our existing customer base in both vehicle manufacturing and networks asset management and it is fitting that we review progress in this regard. I have already stated that we are showing strong business gains from new-name customers in both business areas. But an equally exciting opportunity is to build impact and influence within our existing customer group.

As customers see how Ubisense is enabling them to handle increasing complexity, while driving volume, quality and reduced cost in one part of the manufacturing process or in one location, they work with us to expand that success into other processes, lines and plants. For example where we often begin in automotive manufacturing on the final assembly line, it is now standard practice for us to work on new Smart Factory installations in other areas such as repair and rework, to help customers manage cost and quality, while increasing throughput. Our expertise grows and thus so does the scope of what we are able to achieve within our existing customer base.

BMW, a cornerstone customer for Ubisense, has nine major assembly plants around the world and when we began our Smart Factory installations with them in 2008, we were in one. Today we are in six and are continuously proving that we can add value with each expanded installation on a line, including the Mini in Oxford, as well as plants in China.

And we are experiencing strong traction at VW, now featuring in 4 of their 100+ plants.

It seems to us that this is the ultimate expression of confidence in our people, processes and products. Customers choose to use us more and more, in multiple locations and across ever-increasing application areas.

Whilst this trend is most pronounced in vehicle manufacturing, I see the networks business replicating this success. As mentioned, our network asset management product is some five years younger than the vehicle manufacturing product in terms of customer adoption. We believe each is capable of a great deal more.

Other progress and delivery

I am very pleased with the Geoplan acquisition we made last year in Asia Pacific. Having integrated the business successfully we are now seeing real prospects for geographical expansion across Asia Pacific. We have begun our first installations at Hyundai and also at Toyota and we are very positive about further developments in the region, including further work for NYK in their automotive logistics business.

We have also referenced over the years our continued work with partners such as Atlas Copco and Daifuku, who have helped us integrate into their own network of products and solutions in very large businesses and geographical segments. I'm encouraged by progress here too.

Our new Smart Factory DIMENSION4 technology will make it far easier for our partners to deploy and adopt our products and incorporate them more swiftly and economically into their own solutions. I see this as a strong engine for growth in the medium term, quite outside the impact it will have amongst existing customers.

People

An enterprise software business of course relies on its people and I must congratulate the team in adapting to our new strategy and making it work. I would also like to thank some of our newer senior team additions, in particular our CFO Robert Parker and our new Marketing and Commercial Team, led by Charles Watson. These new arrivals are complementing our established technology skills and together we are moving the business onto a more accomplished corporate footing, which will clearly benefit shareholder returns.

Outlook

We believe Ubisense's prospects have never looked better for winning new customers and yet we also believe that there is quite literally a world of opportunity for us to provide solutions and value for our current customers. We are, as ever, very grateful for the support of our shareholders and look forward to a rewarding future.

Richard Green
Chief Executive Officer
16 March 2015

FINANCIAL REVIEW

ROBERT PARKER
CHIEF FINANCIAL OFFICER

2014 saw a number of major new contract awards and extensions to existing contracts resulting in new orders for the period of £31.6 million.

Revenue

The Group is organised as a single Enterprise Location Intelligence business unit, combining Vehicle Manufacturing and Network Asset Management application areas. The Group's strategy is outlined further in the Strategic Report. While we market, organise and report a single offering, Ubisense has two distinct revenue streams which are serviced by a common cost base:

- Solutions revenues are those driven from the Ubisense product suites (Smart Factory and myWorld), technical expertise and exclusive reseller arrangements. A solution sale will include a mixture of application software (licences in perpetuity and subscription based), installation and commissioning services, hardware (for vehicle manufacturing) and maintenance and support. Margins in any given period will vary depending upon the make-up and phase of the given set of Solutions being delivered. The Company sees this revenue stream as critical to driving the long-term growth and profitability of the business and there is a strategic shift towards this higher margin revenue stream.
- Services revenues are those not involving the Ubisense product suites as defined above. These revenues are typically multi-year managed services contracts, consultancy and training. The Company generally has good visibility on future revenue from Services and drives customer loyalty in addition to providing a customer base into which it can sell its Solutions.

The majority of our revenues relate to a small number of large deals, the timing of which is not solely within our control, and each can carry a significant impact on our results in any single reporting period.

Total revenues grew 29.8% to £35.1 million (2013: £27.0 million); of this £28.7 million was organic growth. Within total revenues, the Solutions revenue grew by 49.8% to £20.1 million (2013: £13.4 million), of which £18.5 million, 41% was organic. Services revenue grew by 10.2% to £15.0 million (2013: £13.6 million). This was primarily due to services revenues of £4.8 million from the Geoplan group, whilst the organic business in Services fell by £3.4 million.

Recurring revenues grew by 27.3% to £9.8 million (2013: £7.2 million) or 28.1% of total revenues (2013: 26.5%), of which £4.2 million was maintenance and support which increased by 69.9% (2013: £1.3 million), and represents 12.0% of total revenues (2013: 4.7%). This increase is as a result of the installed base of products progressively increasing and it serves to stabilise revenue trends as the business grows.

As a global business with activities focussed in Europe, North America and Asia Pacific, the reported results are subject to exchange rate volatility. During the period, Sterling has strengthened against the US Dollar, Euro and Japanese Yen; currencies in which the Group derives a significant proportion of its revenues. If currency exchange rates had remained constant in 2014 compared

to 2013, the Board estimates that Group reported revenues would have been £2.5 million higher at £37.6 million and adjusted EBITDA £0.1m higher.

To mitigate currency effects, the Group's policy is to maintain natural hedges where possible by matching foreign currency revenues and expenditure. The Board regularly reviews the forecast currency requirements and at this stage, does not consider external hedging arrangements for profit and loss items to be appropriate for the Group.

Orders

2014 saw a number of major new contract awards and extensions to existing contracts resulting in new orders for the period of £31.6 million (2013: £32.5 million), of which £21.0 million related to Solutions (2013: £18.3 million). A number of major Solutions deals closed in 2014 which included further expansion into our automotive customers with Smart Factory systems. In addition, our network Solutions business is continuing to grow with myWorld and we secured contracts with some of the largest utilities in the United States during the year.

The order book as at 31 December 2014 stood at £12.4 million (2013: £17.9 million) – a 31% decrease from 2013. This reflects the Group's strategy to focus on the Solutions business, which provides shorter lead time between order and revenue generation than Services, which in 2013 was significantly made up of multi-year contracts at lower margin.

Of the 2013 backlog, £14.4 million of revenue was recognised in 2014 and £3.5 million will be recognised in 2015 and beyond. Of the 2014 backlog, £10.7 million will be recognised as revenue in 2015, with £1.7 million forecast to be recognised in 2016 and beyond. The Group has increasing visibility on revenues into 2015 as our penetration within existing customers increases.

Gross margin

The gross margin increased from 34.2% in 2013 to 39.9% in 2014. This was primarily as a result of an increase in Solutions revenue in the revenue mix, which provides higher margins than Services revenues.

Operating expenses

Operating expenses increased by £7.7 million (70%) to £18.6 million (2013: £10.9 million). The increase is due to the inclusion of operating expenses from the Geoplan group of £2.7 million following its acquisition in December 2013 and £5.0 million of the increase was from the existing Group, which included an increase in amortisation charges by £2.0 million to £3.7 million for the year and non-recurring items of £2.4 million. Operating expenses includes marketing, product marketing, product development, administration, depreciation & amortisation and foreign exchange.

Gross expenditure on product development was £3.9 million (2013: £4.0 million) reflecting constant investment in our flagship Smart Factory and myWorld products. Capitalised product development costs at £3.0 million (2013: £3 million) represented 75% (2013: 76%) of gross development spend. Amortisation of the capitalised development costs increased to £2.6 million (2013: £1.2 million) as a result of significant investment in product development in recent years.

The Group incurred non-recurring expenditure of £2.4 million (2013: £0.8 million). £0.6 million related to strategic Asia Pacific market entry costs relating to integration of the Geoplan acquisition made in December 2013. The Group underwent an internal re-organisation in the second half of the year, which incurred £0.5 million of related costs. Acquired intangible assets relating to Services revenues were impaired by £1.3 million during the year. This impairment is a result of the Group's strategy of focussing on high-margin Solutions revenues.

FINANCIAL REVIEW
CONTINUED

EBITDA and operating profit

Group Adjusted EBITDA for the period was £1.9 million (2013: £1.1 million). To provide a better guide to underlying business performance adjusted EBITDA excludes share-based payment charges and non-recurring items along with depreciation, amortisation, interest and tax from the measure of profit.

Both the operating loss of £4.6 million (2013: £1.6 million) and loss before tax of £4.8 million (2013: £1.7 million) includes amortisation charges of £3.7 million (2013: £1.6 million), depreciation charges of £0.4 million (2013: £0.3 million) and the non-recurring items noted above of £2.4 million (2013: £0.8 million). Amortisation charges have increased significantly due to the amortisation of acquired intangible assets following the Geoplan acquisition in December 2013 and higher amortisation on capitalised development costs reflecting the increased investment in recent years.

Interest and tax

Net interest payable for the period was £0.2 million (2013: £0.1 million) as a result of drawing down our HSBC bank and Mizuho bank loans.

The Group has a net tax credit of £0.7 million (2013: £0.2 million expense) as a result of cash receivable of £0.5 million under the UK R&D tax credit regime and £0.2 million of non-cash deferred tax on capitalised development costs and acquired intangible assets. Management's best estimate of the effective current tax rate is nil due to the availability of prior years' losses. The Group has substantial tax losses carried forward but does not currently recognise a deferred tax asset in respect of these losses.

EPS and dividend

Adjusted diluted loss per share was 3.5 pence (2013: 3.5 pence loss). Reported basic and diluted loss per share was 16.7 pence (2013: 8.9 pence). No dividend has been declared.

Balance sheet, cash and cash flow

The Group has a robust balance sheet with net assets at 31 December 2014 of £18.8 million (31 December 2013: £19.4 million). Due to the proximity to the year end of the Geoplan acquisition in December 2013, the fair values of assets and liabilities acquired were provisional at 31 December 2013 in line with IFRS 3. The post-acquisition review of the net assets acquired has been conducted in the current period and as a result, the balance sheet at 31 December 2013 restated.

In April 2014, the business completed a share placing raising gross proceeds of £4.2 million with the placement of 1,929,589 new ordinary shares at a price of £2.20 per share from existing and new shareholders. The net proceeds from the placing are being used by the Group to support the growing Solutions business.

The Group has a three-year working capital facility of £5.0 million agreed with HSBC in 2013. £4.0 million of this facility was drawn as at 31 December 2014 (2013: £3.5 million). In June 2014, a 130 million Japanese Yen denominated loan (£0.8 million) was agreed with Mizuho Bank and fully drawn down in H1 2014. The facility was increased to 200 million Japanese Yen in H2 2014 and 170 million Japanese Yen was drawn at 31 December 2014 (2013: £nil). This facility takes advantage of the low interest rates available in Japan and acts as a natural hedge against the Group's assets in Asia.

In October 2014, the Group agreed an additional £2.0 million four-year term loan with HSBC to provide funds for future acquisitions. This facility was drawn in full at the year end (2013: £nil).

Cash and cash equivalents held in the balance sheet at 31 December 2014 was £3.7 million (31 December 2013: £4.0 million). The movement in the cash position during the year is summarised below:

	2014 £m
Loss before tax	(4.8)
Depreciation and amortisation charges	5.3
Other non-cash expenses	0.3
Operating cash inflow before working capital movement	0.8
Working capital outflows	(3.5)
Operating cash flows before capital expenditure	(2.7)
Capital expenditure on product development and property, plant & equipment	(4.4)
Deferred and contingent consideration paid in respect of Geoplan group acquisition	(0.5)
Interest and tax paid	(0.1)
Cash outflow from trading activities	(7.7)

With the bank loan outstanding of £6.9 million, net debt at 31 December 2014 was £3.2 million (31 December 2013: £0.5 million net funds). The movement in the net debt position is summarised below:

	2014 £m
Net funds at 1 January 2014	0.5
Cash outflow from trading activities	(7.7)
Share placing to institutional investors	4.0
Net debt at 31 December 2014	(3.2)

Capital structure

The issued share capital at 31 December 2014 was 25,062,842 (December 2013: 23,079,146) ordinary shares of £0.02 each. The increase of 1,983,696 shares relates to 1,929,589 shares issued in the April 2014 placing and 54,107 share option exercises by employees. 447,500 share options were granted to employees on 23 May 2014 at an exercise price of £2.25, being the share price at the time. 192,500 options vest after three years, depending on continued service during the vesting period. 255,000 options also have certain performance criteria attached in order to vest. The total number of unexercised share options at 31 December 2014 was 2,343,271.

Robert Parker
Chief Financial Officer
16 March 2015

STRATEGIC REPORT

Ubisense is a global leader in Enterprise Location Intelligence Solutions for Manufacturing, Communication and Utility companies. We enable some of the world's largest businesses to improve operational effectiveness, significantly increasing their profitability.

ROBERT PARKER
CHIEF FINANCIAL OFFICER

We help unlock previously inaccessible intelligence and insight to empower our customers to realise dramatic benefits in diverse application areas including vehicle manufacturing, network operations, field operations and asset management. Ubisense Enterprise Location Intelligence Solutions are used by a number of blue chip customers across the world, such as Toyota, VW, GM, Hyundai, Honda, PSA, BMW and Daimler.

Ubisense is headquartered in Cambridge, UK, with offices in the USA, Canada, Germany, France, Japan, South Korea and Singapore.

The enterprise acceptance of our Solutions has been accelerated by several factors such as the consumerisation of maps led by Google, the proliferation of smart devices, the growth in cloud technologies and the modern device-to-device networking referred to as "internet of things". Ubisense's software products and services capability benefit from these trends, enabling enterprises across the high-value Manufacturing, Utility and Telecommunications sectors to deliver significant improvements in quality, efficiency and cost savings. This also opens up new, adjacent markets for Ubisense.

The Group acquired the Geoplan group of companies in December 2013 to accelerate market penetration into the Asia Pacific region. With the business reorganisation conducted in 2014, the strategy of the Group is to:

- Continue to transition to a products-led business, supported by Services capability
- Drive a change in the revenue mix to deliver more, high-margin software with associated recurring revenues
- Develop next-generation applications that deliver ROI to customers
- Focus direct business on Vehicle Manufacturing and Network Asset Management enterprises including Communications and Utility
- Drive step and repeat business in Automotive manufacturing across new site locations
- Focus on our key target markets of North America, Europe and Asia Pacific
- Streamline and align operations, providing a rewarding work environment to attract and retain talented staff.

Business review and future developments

Business development

An increase in our gross margin by 5.7 percentage points from 34.2% to 39.9%, adds validity to our strategy to focus on our Enterprise Location Intelligence Solutions, and the investment we have made in our next-generation platforms and sales and marketing infrastructure.

The Group's products are becoming generally accepted across its chosen industries and Ubisense is increasingly able to penetrate deeper into its customer base by installing additional applications on each site, and is confident this trend will continue. With the acquisition of the Geoplan group in Asia, we believe that our geographical footprint is complete at present.

The Group continues to invest in product development with activities focusing on two product lines: Smart Factory in the vehicle manufacturing industry and myWorld in the utilities and communications industries. Future acquisition strategy will extend to the Group's product portfolio, allowing opportunities to upsell into our existing customer base.

Partnerships

While our direct sales channel is gaining strong customer traction, our solution partners are also contributing to the strong revenues in the year. The Group continues to develop relationships with partners such as Atlas Copco and Daifuku and is optimistic about the opportunities to expand market presence these relationships provide. The Group is also setting the foundation for developing a reseller channel to extend geographic footprint in 2016 and beyond.

Key performance indicators

The primary financial key performance indicators for the Group, which are reported monthly, are as follows:

- **Adjusted EBITDA**
  Adjusted EBITDA excludes amortisation, depreciation, non-recurring items and share-based payments and is reported as it reflects the performance of the Group. Adjusted EBITDA for the year was £1.9 million (2013: £1.1 million).
- **Revenue mix**
  The revenue mix of Solutions and Services is reported as the gross margin on each stream is different. Solutions revenues, which attract a higher margin than Services revenues, accounted for 57% of total revenues (2013: 50%).
- **Cash and working capital**
  The Group closely monitors the cash balances and working capital movements. The closing cash balance for the Group was £3.7 million (2013: £4.0 million) and net debt was £3.2 million (2013: £0.5 million net funds). The movement in the cash position is explained in detail in the Financial Review starting on page 20.
- **Order backlog**
  Order backlog provides the Group with visibility over future revenues. At 31 December 2014, the order backlog was £12.4 million (2013: £17.9 million). This decrease reflects the Group's strategy to focus on Solutions revenues, which attract shorter lead times between order and revenue generation than Services.

Non-financial key performance indicators for the Group include:

- Quantity and quality of lead generation, pipeline and conversions to deals in the sales pipeline
- Project duration, including installation service days
- Our reaction and solution times to customer requests.

Having regularly reviewed the KPIs in respect of changes within periods and changes between reporting periods the Directors believe that the Group has made steady progress against the KPIs, especially revenue mix and adjusted EBITDA.

Financial instruments

Information on both the Group's financial risk management objectives and the Group's policies on exposure to relevant risks in respect of financial instruments are set out in note 26 of the consolidated financial statements.

Principal risks and uncertainties

The Group faces competitive and strategic risks that are inherent in a rapidly growing emerging market. The Board and the Executive Management Team review strategy and risks to the business regularly. Where possible, processes are in place to monitor and mitigate the identified risks.

The key business risks affecting the Group are set out below:

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 Enterprise 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. The Group's

STRATEGIC REPORT
CONTINUED

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, is highly complex and may change rapidly.

In order to mitigate this risk, Ubisense invests in a range of research and development activities to maintain its competitive advantage and participates in industry and research forums in order to keep abreast of technological advances.

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 Solutions. 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. In order to mitigate this risk, the Group undertakes extensive due diligence on acquisition targets and uses dedicated project teams to integrate acquisitions into the Group.

It is the Board's strategy to investigate and explore complementary acquisition targets from time to time. In this regard, the Board would seek to acquire businesses which enable the Company to expand its product portfolio and its geographic footprint in order to increase its offering to its customers and expand demand for the Group's Solutions.

Staff recruitment and retention
The contribution made by Ubisense's highly skilled and experienced staff is vital to the Group's success. As the Group grows, it is important to recruit and retain staff.

The Group has in place appropriate incentive structures to attract and retain the calibre of employees necessary to ensure the efficient development and management of the Group.

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 fulfil contracts with customers and other business partners may have an adverse effect on the Group's future profitability and reputation. One key supplier supplies more than 75% of the hardware required annually by the Group.

In order to mitigate this risk, the Group closely manages and reviews its relationship with key suppliers on a regular basis.

Dependence on key customers
The Group is dependent on a number of key contracts and customer relationships for its current and future growth and development. Ubisense has strong customer relationships with considerable repeat business from a number of large international organisations. In the financial year to 31 December 2014 the Group's 10 largest customers accounted for 47% of the Group's revenue (2013: 60%), of which one customer accounted for in excess of 10% (2013: 10%). The loss of a major customer could result in a decrease in Group revenues, margins and profitability.

In order to mitigate this risk, the Group has extensive sales and account management processes and procedures and is continuing to diversify its customer base.

Contracts
Some of the Group's commercial contracts include terms where revenues and/or invoicing are related to customer acceptance. Other contracts contain terms whereby the timing of cash collections is contingent on the customer re-selling our products to end users.

The Group's exposure under such contracts is reviewed regularly by the Executive Management Team and the main Board.

Credit
The main credit risk is attributable to trade receivables owed by customers. As the majority of the Group's customers are very large, blue chip utilities, telecoms and manufacturing companies, the risk of non-payment tends to be less of a traditional credit nature and more related to customer satisfaction.

Credit exposure by customer is reviewed regularly by the Executive Management Team and the main Board with provision made for doubtful receivables when there are circumstances which, based on experience, are evidence of a likely reduction in the recoverability of the receivable.

Bank covenants
The Group has bank loan facilities of £7.0 million with HSBC Bank plc to provide future working capital capacity and for acquisitions. The loans are repayable in 2016 (£5.0 million) and 2017 (£2.0 million) and the outstanding balance at 31 December 2014 was £6.0 million.

The Group is required to meet certain financial criteria agreed as covenants for the bank loans. The financial measures are regularly reviewed against covenant requirements to ensure the Group's obligations can be met. All covenants tests during the year were met and all tests for the forthcoming 12 months are forecast to be met based on our annual operating plan and our latest rolling forecast.

Research and development (R&D)

The Group continues to invest in R&D, spending £3.9 million in its R&D programmes in the year (2013: £4.0 million) of which £3.0 million (2013: £3.0 million) was capitalised. In the opinion of the Directors, these investments will maintain and generate significant revenues in future years.

Intellectual property

The Group owns intellectual property both in its software tools and the products derived from them. The Directors consider such properties to be of significant value to the business.

Employee involvement

The Group aims to attract, retain and motivate the best staff regardless of gender, race, religion, sexual orientation, age or disability. To that end it is committed to offering equal employment opportunities.

The Group provides its employees systematically with information on matters of concern to them and regularly consults its staff, or their representatives, for views on matters affecting them.

The Group encourages employee involvement in the Group's performance by granting share options and Group performance-related variable compensation, and ensures that employees are fully aware of financial and economic factors affecting the performance of the Group.

Employee policies

The Group is committed to following the applicable employment laws in each territory in which it operates.

The Group is committed to ensuring that disabled persons, whether registered or not, have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. In addition to complying with legislative requirements, procedures ensure that disabled employees are fairly treated and that their training and career development needs are carefully managed. For those employees becoming disabled during the course of their employment, every effort is made, whether through retraining or redeployment, to provide an opportunity for them to remain with the Group.

Health and safety environment

The Group is committed to maintaining a safe and healthy working environment for all staff. To that end it provides appropriate training and supervision and complies with all applicable regulatory requirements.

The Group seeks wherever possible to minimise its impact on the environment for the benefit of its staff and the public at large. The Group is committed to complying with environmental regulations, in particular WEEE, and encourages and supports staff in waste recycling within its offices.

Approved by the Board of Directors and signed on behalf of the Board.

Robert Parker
Chief Financial Officer
16 March 2015
Ubisense Group plc

Registered number: 05589712

BOARD OF DIRECTORS

PROFESSOR ANDREW HOPPER CBE
NON-EXECUTIVE CHAIRMAN

Andy is one of the foremost leaders in the technology industry having co-founded 12 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 Limited; and RealVNC Limited. Andy is Professor of Computer Technology at the University of Cambridge 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.

- Audit Committee
- Non-Executive Chairman
- Remuneration Committee

RICHARD GREEN
CHIEF EXECUTIVE OFFICER

Richard initially trained as a mechanical engineer and has over 25 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.

- Nominations Committee

ROBERT PARKER
CHIEF FINANCIAL OFFICER

Robert is a Chartered Accountant with more than 25 years' experience in senior finance roles across multiple sectors. Most recently Robert was CFO of the Optitune Group, a Finnish cleantech company. Robert has held senior positions with Sumitomo Electric Europe Ltd, Eircom UK, National Grid and Immedia.

- Audit Committee
- Remuneration Committee

PETER HARVERSON
NON-EXECUTIVE DIRECTOR

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. Subsequently 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. Most recently he was Non-Executive Chairman of Aspex Semiconductors Limited, sold to Ericsson AB in July 2012. Currently, Peter is a Non-Executive Director of Brady plc, CRFS Limited, and Chairman of eoSemi Limited. Peter is also an advisor to Cambridge IP Limited.

- Nominations Committee
- Remuneration Chairman

IAN KERSHAW
NON-EXECUTIVE DIRECTOR

Ian has over 28 years' experience in the automotive, manufacturing and power industries. He is responsible for Ricardo's strategic consulting activities in Northern Europe and is also a Board member of Surface Generation, a developer of advanced manufacturing systems for high-performance materials. Ian has held management positions with Caterpillar, Rolls-Royce Motor Cars and Arthur D. Little.

- Audit Committee

BOARD OF DIRECTORS
CONTINUED

DR ROBERT SANSOM
NON-EXECUTIVE DIRECTOR

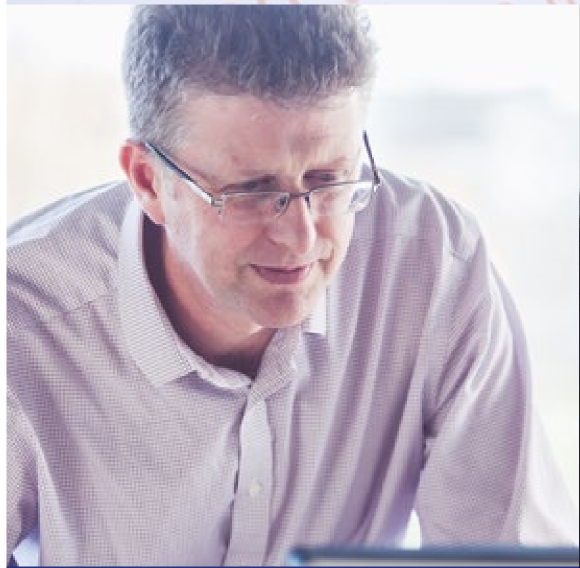
An active angel investor and mentor to start-ups, Robert is founder of the Cambridge Angels, a group of seasoned technology and bio-technology entrepreneurs who invest in and mentor technology start-ups in the Cambridge area. Previously, Robert was co-founder, CTO and Director of FORE Systems, Inc., 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 Cambridge Communications Systems Limited, CRFS Limited, Featurespace Ltd and Netronome Systems, Inc. He was elected as a Fellow of the Royal Academy of Engineering in 2010.

- Nominations Chairman
- Remuneration Committee

PAUL TAYLOR
NON-EXECUTIVE DIRECTOR

Paul 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, Escher Group Holdings plc, Digital Barriers plc and KBC Advanced Technologies plc.

- Audit Chairman
- Nominations Committee
- Remuneration Committee



> “Ubisense has a proven track record of helping businesses evolve, refine and transform operational effectiveness.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group together with the audited financial statements for the year to 31 December 2014.

Incorporation and constitution

Ubisense Group plc is domiciled in England and incorporated in England and Wales under Company Number 05589712. Ubisense Group plc's Articles of Association are available on the Group's website at www.ubisense.net.

Capital structure

The Company has one class of ordinary share of two pence each which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

Details of the share capital of the Company, including shares issued during the year, can be found in note 20 of the consolidated financial statements.

Substantial shareholdings

On 16 March 2015, the Company had been notified of the following significant interests in its ordinary share capital:

	Total holding Number	% of issued share capital
Robert Sansom	**2,493,676**	9.95
Richard Green	**1,734,906**	6.92
NFU Mutual Investment Managers	**1,417,046**	5.65
FIL Investments International	**1,261,280**	5.03
Unicorn Asset Management	**1,205,978**	4.81
Ubisense Employee Share Plan	**1,141,113**	4.55
Threadneedle Investments	**1,000,453**	3.99
Charles Stanley	**974,354**	3.89
City Financial	**800,000**	3.19

Directors

The Directors serving at 31 December 2014 were as follows: Richard Green, Peter Harverson, Prof Andrew Hopper, Ian Kershaw, Robert Parker, Robert Sansom, Paul Taylor.

Board changes

In February 2014, after 10 years at Ubisense, Gordon Campbell, Chief Financial Officer, notified the Board of his intention to step down from his role. Gordon Campbell has made a significant contribution to the growth and development of the Group, including listing on AIM, and this will continue in a new role leading the post-acquisition integration.

On 10 February 2014, Robert Parker was appointed as CFO of Ubisense Group plc. Robert Parker joins Ubisense from Optitune plc where he had been CFO since 2012. Robert Parker brings extensive experience in both the strategic development and operational management of high growth, multicultural businesses. He has a proven track record of driving organic growth, executing M&A and raising finance in both the private and public markets.

On 27 May 2014, J Keith Lomas and Richard Newell notified the Board of their intentions to resign as Non-Executive Directors after five and seven years of service respectively. Ian Kershaw, Managing Director of Ricardo Strategic Consulting, joined the Board on 27 May 2014 as a Non-Executive Director.

Directors' interests – shares

Directors' interests in the ordinary shares of Ubisense Group plc at 31 December 2014 were as follows:

	2014 Number	2013 Number
Richard Green*	**1,734,906**	1,734,906
Peter Harverson	**65,161**	65,161
Andrew Hopper	**225,000**	225,000
Robert Sansom	**2,493,676**	2,493,676
Total	**4,518,743**	4,518,743

* Includes 115,617 (2013: 115,617) shares held by the RT Green Children's Trust of which Richard Green is a trustee.

There has been no change in the interests set out above between 31 December 2014 and 16 March 2015. Paul Taylor, Robert Parker and Ian Kershaw hold no shares as at 31 December 2013 (or their appointment date if later), 31 December 2014 nor 16 March 2015.

Directors' remuneration, share options and loans

Details of Directors' remuneration, share options and loans are provided in note 7 of the financial statements.

Directors' indemnity arrangements

The Group has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

The Group has purchased and maintained throughout the year Directors' & Officers' liability insurance in respect of itself and its Directors.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 34 to 36 of these financial statements. The Corporate Governance report forms part of the Directors' report and is incorporated into it by cross-reference.

Post balance sheet events

There are no significant post balance sheet events.

Dividends

The Directors do not recommend payment of a dividend for the year (2013: £nil).

Auditor

A resolution to re-appoint Grant Thornton UK LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting. In accordance with normal practice, the Directors will be authorised to determine the auditor's remuneration.

Annual General Meeting

The Annual General Meeting of the Company is due to take place at the Group head office of St Andrew's House, St Andrew's Road, Chesterton, Cambridge, CB4 1DL on 24 April 2015 at 8.30 a.m. Details of the resolutions proposed at the AGM are explained on pages 82–86 of this document.

Approved by the Board of Directors and signed on behalf of the Board

Robert Parker
Chief Financial Officer
16 March 2015
Ubisense Group plc

Registered number: 05589712

CORPORATE GOVERNANCE REPORT

Although not required to do so by the AIM Listing Rules, the Directors have chosen to provide selected corporate governance disclosures with this report, which they consider to be valuable to the reader.

The Directors believe that effective corporate governance, appropriate to the Group considering its size and stage of development, will assist in the delivery of corporate strategy, the generation of shareholder value and the safeguarding of shareholders' long-term interests. We do not comply with the UK Corporate Governance Code September 2014 ("the Code"). However, the Directors are committed, wherever it is reasonably practicable, to ensure that the Group is managed in accordance with the principles set out in the Code.

Composition of the Board

The Board comprises the non-executive Chairman, four Non-Executive Directors and two Executive Directors. Biographical details of all members of the Board are set out on pages 28–30.

Since the flotation of the Company in 2011, no equity-based incentives have been granted to Non-Executive Directors and there are no such plans for any such grants in the future. At the end of the year, the Chairman and two of the four Non-Executive Directors had shares and share options in Ubisense Group Plc.

The holding of shares and share options by Non-Executive Directors could, amongst other things, be relevant in determining whether a Non-Executive Director is independent. Therefore, after detailed consideration, the Board has determined that Paul Taylor and Ian Kershaw are the only independent Non-Executive Directors within the meaning of the Code.

The roles of Chairman and Chief Executive Officer are vested in separate individuals, each with clear allocation of accountability and responsibility. The Chairman has prime responsibility for running the Board and the Chief Executive Officer has executive responsibilities for the Group's strategic development, operations and results. The structure of the Board and the integrity of each Director ensures that there is no one individual or group dominating the decision-making process.

The role of the Board

The Board holds full meetings at least 10 times per year, with attendance required in person whenever possible. The principal matters that it considers are as follows:

- Reviewing operating and financial performance
- Ensuring that appropriate management development and succession plans are in place
- Determining corporate strategy, including consideration and approval of the Company's annual strategy review
- Establishing dividend policy
- Approving and accepting all new committed funding facilities
- Approving and accepting major changes in the capital structure of the Company
- Reviewing and approving formal treasury policies relating to funding, liquidity, transactional foreign exchange and interest rate risk management
- Reviewing the health and safety and environmental performance of the Company
- Approving corporate acquisitions, mergers, divestments, joint ventures and major capital expenditure
- Receiving, reviewing and approving recommendations by the designated committee on matters related to audit, nominations and remuneration.

The Board is supplied with information in a timely manner and in a form and of a quality appropriate to enable it to discharge its duties. The Board has a policy to set out which matters are reserved for the decision of the Board and those to which the Executive Directors need not refer for approval. This policy also requires that all recommendations and decisions by a Board Committee are approved or ratified by the Board.

Board Committees

The Board has established three Committees: the Audit Committee, the Nomination Committee and the Remuneration Committee.

Summary of Board meeting attendance in 2014

The Board is expected to meet regularly on a formal basis at least 10 times a year. 14 Board meetings were held in 2014. Attendance at the meetings was as follows:

	Total meetings attended*
Gordon Campbell	1 (2)
Richard Green	14 (14)
Peter Harverson	12 (14)
Andrew Hopper	14 (14)
Ian Kershaw	5 (6)
J Keith Lomas	7 (8)
Richard Newell	5 (8)
Robert Parker	11 (12)
Robert Sansom	12 (14)
Paul Taylor	14 (14)

Summary of Committee membership

The Committee membership as at 31 December 2014, and at 16 March 2015, is as follows;

	Audit Committee	Nomination Committee	Remuneration Committee
Richard Green	–	Observer	–
Peter Harverson	–	Yes	Chair
Andrew Hopper	Observer	Yes	Observer
Ian Kershaw	Yes	–	–
Robert Parker	Observer	–	Observer
Robert Sansom	–	Chair	Yes
Paul Taylor	Chair	Observer	Yes

Summary of Committee meeting attendance

	Audit Committee*	Nomination Committee*	Remuneration Committee*
Gordon Campbell	–	–	–
Richard Green	–	1 (1)	1 (3)
Peter Harverson	–	1 (1)	3 (3)
Andrew Hopper	1 (3)	1 (1)	2 (3)
Ian Kershaw	3 (3)	–	–
J Keith Lomas	1 (1)	1 (1)	1 (1)
Richard Newell	–	1 (1)	–
Robert Parker	3 (3)	–	2 (3)
Robert Sansom	3 (3)	1 (1)	3 (3)
Paul Taylor	–	1 (1)	3 (3)

* Figures in brackets denote the maximum number of meetings that could have been attended.

The role of each Committee is described in more detail overleaf.

CORPORATE GOVERNANCE REPORT
CONTINUED

Audit Committee

The Audit Committee has responsibility for the following matters:

Financial reporting

- Review of all financial reports released to the market and shareholders.
- Review of significant reporting issues and key judgements.
- Review of accounting policies selected and their application.

External audit

- Recommending appointment, re-appointment or removal of the external auditors.
- Overseeing the Group's relationship with the external auditors, including assessing their independence.
- Agreeing the annual audit plan and reviewing the finding and effectiveness of the audit.

Whistleblowing

- Review of the Group's whistleblowing policies and procedures.

As part of its procedures, the Committee discusses the interim and annual financial statements with the external auditors. When appropriate, non-Committee members are invited to attend. During the period under review, the Committee has met three times on a formal basis excluding meetings of the Chairman with external advisors. The Committee is expected to meet formally four times a year.

Nomination Committee

The Nomination Committee has responsibility for the following matters:

- Reviewing the size and composition of the Board to ensure that an appropriate mix of skills, knowledge and experience is achieved
- Succession planning for the Board and other key management roles
- Identifying and recommending to the Board candidates to fill Board vacancies
- Ensuring Non-Executive Directors are able to make the necessary time commitments to fulfil their role
- Ensuring Non-Executive Directors receive letters of appointment, detailing their responsibilities
- Making recommendations to the Board about the appointment, removal or continuation in office of any Director.

During the period under review, the Committee has met once on a formal basis. The Committee is expected to meet formally twice a year.

Remuneration Committee

The Remuneration Committee has responsibility for the following matters:

- Agreeing the framework for the Group's remuneration policy for Directors and key management personnel, including determining individual remuneration policies for Executive Directors
- Approving the design and targets for short and long-term incentive plans
- Determining the policy and scope of pension arrangements
- Ensuring contractual terms and payments made on termination are fair to both the individual and the Group
- Agreeing the policy for authorising expense claims by the Chair and Chief Executive.

The Group has a formal and transparent procedure for developing policy on Directors' remuneration. No Director is involved in deciding his own remuneration.

The Committee aims to set levels of remuneration for Executive Directors that are sufficient to attract, retain and motivate Directors of the quality required, without paying more than necessary, and that are appropriate for the size and complexity of the Group. It aims to see that a significant proportion of each Executive Director's remuneration package is performance related.

During the period under review, the Committee has met three times on a formal basis. The Committee is expected to meet formally twice a year.

Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The risk-managing process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable but not absolute assurance against material misstatement or loss. The Directors acknowledge their responsibilities for the Group's system of internal control and for reviewing its effectiveness. The principal features of the system of internal financial controls are:

- Budgetary control over all operations, measuring performance against pre-determined targets on at least a monthly basis
- Regular forecasting and reviews covering trading performance, assets, liabilities, cash flows and bank covenants
- Delegated limits of authority covering key financial commitments including capital expenditure and recruitment
- Identification and management of key business risks.

The Board continually reviews the effectiveness of other internal controls, including financial, operational, compliance controls and risk management.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Directors' report, the Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the Directors must not approve the financial statements unless they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware
- The Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

to the members of Ubisense Group Plc

We have audited the group financial statements of Ubisense Group Plc for the year ended 31 December 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

Opinion on financial statements

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Ubisense Group plc for the year ended 31 December 2014.

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

16 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Revenue	5	**35,051**	27,002
Cost of revenues		**(21,053)**	(17,761)
Gross profit		**13,998**	9,241
Operating expenses		**(18,579)**	(10,867)
Operating loss		**(4,581)**	(1,626)
Analysed as:			
Gross profit		**13,998**	9,241
Other operating expenses		**(12,094)**	(8,100)
Adjusted EBITDA		**1,904**	1,141
Depreciation	13	**(359)**	(266)
Amortisation of acquired intangible assets	12	**(751)**	(313)
Amortisation of other intangible assets	12	**(2,937)**	(1,332)
Share-based payments charge	21.2	**(75)**	(92)
Non-recurring items	9.2	**(2,363)**	(764)
Operating loss		**(4,581)**	(1,626)
Finance income	8	**14**	10
Finance costs	8	**(211)**	(103)
Loss before tax	9	**(4,778)**	(1,719)
Income tax	10.1	**736**	(219)
Loss for the year		**(4,042)**	(1,938)
Loss attributable to:			
Equity shareholders of the Company		**(4,085)**	(1,968)
Non-controlling interest		**43**	30
		(4,042)	(1,938)
Loss per share attributable to the equity shareholders of the parent (pence)			
Basic	11	**(16.7p)**	(8.9p)
Diluted	11	**(16.7p)**	(8.9p)

The notes on pages 45 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	2014 £'000	2013 £'000
Loss for the year	(4,042)	(1,938)
Other comprehensive income:		
Items that may be reclassified subsequently to profit and loss		
Exchange difference on retranslation of net assets and results of overseas subsidiaries	(531)	(203)
Total comprehensive loss for the year	(4,573)	(2,141)
Attributable to:		
– Equity shareholders of the Company	(4,549)	(2,141)
– Non-controlling interest	(24)	–
Total comprehensive loss for the year	(4,573)	(2,141)

The notes on pages 45 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Attributable to equity shareholders of the parent company							
	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Sub-total £'000	Non-controlling interest £'000	Total £'000
Balance at 1 January 2013	438	22,251	654	(48)	(4,374)	18,921	–	18,921
Loss for the year	–	–	–	–	(1,968)	(1,968)	30	(1,938)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	–	–	–	(173)	–	(173)	(30)	(203)
Total comprehensive loss for the year	–	–	–	(173)	(1,968)	(2,141)	–	(2,141)
Reserve credit for equity-settled share-based payment	–	–	92	–	–	92	–	92
Non-controlling interest in new subsidiary	–	–	–	–	–	–	554	554
Issue of new share capital	23	–	–	–	–	23	–	23
Premium on new share capital	–	1,799	–	–	–	1,799	–	1,799
Transactions with owners	23	1,799	92	–	–	1,914	554	2,468
Balance at 31 December 2013 (restated)	461	24,050	746	(221)	(6,342)	18,694	554	19,248
Loss for the year	–	–	–	–	(4,085)	(4,085)	43	(4,042)
Exchange difference on retranslation of net assets and results of overseas subsidiaries	–	–	–	(464)	–	(464)	(67)	(531)
Total comprehensive loss for the year	–	–	–	(464)	(4,085)	(4,549)	(24)	(4,573)
Reserve credit for equity-settled share-based payment	–	–	75	–	–	75	–	75
Issue of new share capital	40	–	–	–	–	40	–	40
Premium on new share capital	–	4,230	–	–	–	4,230	–	4,230
Share issue costs	–	(229)	–	–	–	(229)	–	(229)
Transactions with owners	40	4,001	75	–	–	4,116	–	4,116
Balance at 31 December 2014	501	28,051	821	(685)	(10,427)	18,261	530	18,791

The notes on pages 45 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2014

	Notes	2014 £'000	2013 Restated £'000
Assets			
Non-current assets			
Intangible assets	12	**14,363**	16,247
Property, plant and equipment	13	**1,112**	628
Total non-current assets		**15,475**	16,875
Current assets			
Inventories	14	**2,881**	2,587
Trade and other receivables	15	**15,541**	11,547
Cash and cash equivalents	16	**3,697**	3,964
Total current assets		**22,119**	18,098
Total assets		**37,594**	34,973
Liabilities			
Current liabilities			
Trade and other payables	17	**(9,816)**	(10,023)
Bank loans	18	**(927)**	–
Total current liabilities		**(10,743)**	(10,023)
Non-current liabilities			
Deferred income tax liabilities	10	**(1,336)**	(1,773)
Trade and other payables		**(120)**	–
Bank loans	18	**(6,000)**	(3,500)
Other payables	19	**(604)**	(429)
Total non-current liabilities		**(8,060)**	(5,702)
Total liabilities		**(18,803)**	(15,725)
Net assets		**18,791**	19,248

	Notes	2014 £'000	2013 Restated £'000
Equity attributable to owners of the parent company			
Ordinary share capital	20	**501**	461
Share premium	20	**28,051**	24,050
Share-based payment reserve		**821**	746
Translation reserves		**(685)**	(221)
Retained earnings		**(10,427)**	(6,342)
Equity attributable to shareholders of the Company		**18,261**	18,694
Non-controlling interests		**530**	554
Total equity		**18,791**	19,248

The notes on pages 45 to 76 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 16 March 2015 and signed on its behalf by:

Richard Green
Chief Executive Officer
Ubisense Group plc

Robert Parker
Chief Financial Officer

Registered number: 05589712

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Loss before tax		(4,778)	(1,719)
Adjustments for:			
Depreciation	9, 13	359	266
Amortisation and impairment	9, 12	4,956	1,645
Loss on the disposal of property, plant and equipment	9	22	–
Share-based payments charge	21.2	75	92
Finance income	8	(14)	(10)
Finance costs	8	211	103
Operating cash flows before working capital movement		831	377
Change in inventories		(293)	(639)
Change in receivables		(3,661)	242
Change in payables		447	(727)
Cash used in operations before tax		(2,676)	(747)
Net income taxes received/(paid)		47	(7)
Net cash flows from operating activities		(2,629)	(754)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	24	(509)	1,846
Purchases of property, plant and equipment		(885)	(140)
Proceeds on disposal of property, plant and equipment		1	–
Expenditure on intangible assets		(3,500)	(3,085)
Interest received		14	10
Net cash flows from investing activities		(4,879)	(1,369)
Cash flows from financing activities			
Proceeds of borrowings		3,427	3,500
Interest paid		(151)	(92)
Proceeds from the issue of ordinary share capital		4,041	111
Net cash flows from financing activities		7,317	3,519
Net (decrease)/increase in cash and cash equivalents		(191)	1,396
Cash and cash equivalents at start of period		3,964	2,716
Exchange differences on cash and cash equivalents		(76)	(148)
Cash and cash equivalents at end of period	16	3,697	3,964

The notes on pages 45 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

The Company is a public limited company which is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange (UBI) and is incorporated and domiciled in the United Kingdom. The value of Ubisense Group plc shares, as quoted on the London Stock Exchange plc at 31 December 2014, was 120.0 pence per share (31 December 2013: 246.0 pence).

The Company was incorporated as Ubisense Trading Limited on 11 October 2005 and changed its name to Ubisense Group plc on 31 May 2011 ahead of its initial public offering and listing on AIM on 22 June 2011. The address of its registered office is St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge, CB4 1DL.

The Group has its main operations in the UK, US, Canada, Germany, France, Japan, South Korea, Singapore and the Philippines and sells mainly in North America, Europe and Asia. The Group legally consists of 12 companies headed by Ubisense Group plc (UK). A full list of subsidiaries is given in note 23 of the financial statements.

These consolidated financial statements have been approved for issue by the Board of Directors on 16 March 2015.

2 New accounting standards

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2014.

During 2014, the Group has applied several new revised and amended standards and interpretations which became effective in the year: IFRS 10 "Consolidated financial statements", IAS 32 "Financial instrument: Presentation" (amended), IAS 36 "Impairment on assets" (amended) and IAS 39 "Financial instruments: recognition and measurement" (amended). Their adoption has not had a material impact on the disclosures and amounts reported. Otherwise the accounting policies used are the same as set out in detail in the Report and Accounts 2013 and have been applied consistently to all periods presented in these financial statements. No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 January 2015, or later periods, have been adopted early. The Directors do not consider that the adoption of these standards and interpretations would have a material impact on the Group's financial statements.

Standards and interpretations not yet applied by the Group

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the Group's financial statements.

- Amendment to IAS 19 "Employee benefits" (effective date financial year commencing on/after 1 July 2014)
- Amendment to IAS 16 "Property, plant and equipment" (effective date financial year commencing on/after 1 January 2016)
- Amendment to IAS 38 "Intangible assets" (effective date financial year commencing on/after 1 January 2016)
- Annual improvements 2012 and 2013 (effective date financial year commencing on/after 1 July 2014)
- Annual improvements 2014 (effective date financial year commencing on/after 1 January 2016)
- IFRS 15 "Revenue from contracts with customers" (effective date financial year commencing on/after 1 January 2017)
- IFRS 9 "Financial Instruments" (effective date financial year commencing on/after 1 January 2018)

All standards and interpretations are not expected to have any significant impact on the financial statements when applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Ubisense Group plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The preparation of these financial statements in conformity with IFRS requires the Directors to make certain critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Going concern basis

The Group meets it day-to-day working capital requirements through its bank facilities. The Group had cash of £3.7 million at the balance sheet date along with £1.2 million undrawn on its bank facilities as well as an order book equivalent to 35% of annual revenue. In this context, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The Group, therefore, continues to adopt the going concern basis in preparing its financial statements.

Consolidation

The Group financial statements include the results, financial position and cash flows of the Company and all of its subsidiary undertakings. Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control arises when the Company has the power to govern the financial and operating policies of an entity, uses this power to affect the returns from that entity and has exposure to variable returns from its investment in the entity.

Co-terminous financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Businesses acquired or disposed of during the year are accounted for using acquisition method principles from, or up to, the date control passed. Intra-group transactions and balances are eliminated on consolidation. All subsidiaries use uniform accounting policies for like transactions and other events and similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of combination.

Foreign currencies

(a) Functional and presentation currency

The functional currency of each Group entity is the currency of the primary economic environment in which each entity operates. The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of each Group entity using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the period end date. Such exchange differences are included in the income statement within "operating expenses". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(c) Consolidation

For the purpose of presenting consolidated financial statements, the results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency other than Sterling are translated into Sterling as follows:

- Assets and liabilities for each statement of financial position are translated at the exchange rate at the period end date
- Income and expenses for each income statement are translated at the exchange rate ruling at the time of each period the transaction occurred
- All resulting exchange differences are recognised in other comprehensive income.

Segment reporting

IFRS 8 requires a "management approach" under which information in the financial statements is presented on the same basis as that used for internal management reporting purposes.

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

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

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

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 straight line 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.

Services and training revenue from time and materials contracts is recognised in the period that the services and training are provided on the basis of time worked at agreed contractual rates and as direct expenses are incurred.

Revenue from fixed-price, long-term customer-specific contracts, including customisation and modification, is recognised on the stage of completion of each assignment at the period end date compared to the total estimated service to be provided over the entire contract where the outcome can be estimated reliably. If a contract outcome cannot be estimated reliably, revenues are recognised equal to costs incurred, to the extent that costs are expected to be recovered. An expected loss on a contract is recognised immediately in the income statement.

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.

Employee benefits

(a) Retirement benefits

The Group operates various defined contribution pension arrangements for its employees.

For defined contribution pension arrangements, the amount charged to the income statement represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

(b) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant using the Black–Scholes pricing model. The fair value is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity in the share-based payment reserve, based on the Group's estimate of the number of shares that will eventually vest.

(c) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Summary of significant accounting policies (continued)

Operating lease income and expense

(a) Rental expense

Operating lease rentals are charged as operating expenses to the income statement in equal annual amounts over the lease term. Assets leased under operating leases are not recorded in the statement of financial position because the lessor retains a significant portion of the risks and rewards of ownership.

(b) Lease incentives

The benefits of lease incentives such as rent-free periods or up-front cash payments are spread equally on a straight-line basis over the lease term.

Non-recurring items

Non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material one-off items of income or expense that have been shown separately due to the significance of their nature or amount and do not reflect the on-going cost base or revenue-generating ability of the Group.

Interest income and expense

Interest income and expense is included in the income statement on a time basis, using the effective interest method by reference to the principal outstanding.

Tax

The tax charge or credit comprises current tax payable and deferred tax:

(a) Current tax

The current tax charge represents an estimate of the amounts payable or receivable to or from tax authorities in respect of the Group's taxable profits and is based on an interpretation of existing tax laws. Taxable profit differs from profit before tax as reported in the income statement because it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible. Taxation received is recognised only when it is probable that the Group is entitled to the asset.

(b) Deferred tax

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 when it is recognised in other comprehensive income or equity.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their provisional fair values at the acquisition date. Fair values are reassessed during the measurement period and updated if required. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the net fair value of the assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses.

Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is only capitalised 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 is 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 mainly of direct labour costs, are amortised on a straight-line basis over their useful economic lives. 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.

Other intangible assets

Intangible assets that are purchased separately, such as software licences that do not form an integral part of related hardware, are capitalised at cost and amortised on a straight-line basis over their useful economic life, which is typically 3 years.

Acquired intangible assets

Intangible assets acquired through a business combination are initially measured at fair value and amortised on a straight line basis over their useful economic lives. Amortisation is shown within operating expenses in the income statement. The useful economic lives of the intangible assets recognised on acquisition are as follows:

- Software products recognised on acquisition: 3 years
- Customer relationships recognised on acquisition: 5–10 years
- Order backlog: based on contract life recognised on acquisition, typically less than 1 year.

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 and fittings: 3–8 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 operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Summary of significant accounting policies (continued)

Impairment of non-financial assets
Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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 these are recognised as an expense in the period in which the write-down or loss occurs.

Trade receivables
Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents
In the Consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of debt facilities are recognised as transaction costs of the debt to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

All borrowing costs are recognised in the income statement in the period they are incurred.

Share capital and share premium
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The nominal value of shares issued is classified as share capital and the amounts paid over the nominal value in respect of share issues, net of related costs, are classified as share premium.

Share-based payment reserve
The share-based payment reserve relates to a cumulative charge made in respect of share options granted by the Company to the Group's employees under its employee share option plans.

Translation reserve
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency of Sterling are recognised directly in other comprehensive income and accumulated in the translation reserve.

4 Critical accounting judgements and key sources of estimation and uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill and intangible assets
The Group tests goodwill for impairment annually in accordance with the accounting policy stated in note 3. 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 Group uses pre-tax discount rates of 11.5% for this purpose. The carrying amount of goodwill at 31 December 2014 is £8.2 million, following an impairment of £1.2 million. Further consideration of the impairment of goodwill is included in note 12.

Capitalisation of development costs
The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical and commercial feasibility is demonstrable. The carrying amount of capitalised development costs at 31 December 2014 is £4.2 million.

Revenue recognition
Significant management judgement is applied in determining the allocation and timing of the recognition of revenue on fixed price, long-term customer-specific contracts. In this process management takes into account milestones, hardware supplied, actual work performed and further obligations and costs expected to complete the work. The carrying value of amounts recoverable on contracts at 31 December 2014 is £4.1 million.

Inventories
The provision for obsolete, slow-moving or defective inventory is based on management's estimation of the commercial life of inventory lines and is applied on a prudent basis. In assessing this, management takes into consideration the sales history of products and the length of time that they have been available for resale.

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.

Valuation of separately identifiable intangible assets
As detailed in note 3, separately identifiable intangible assets are identified and amortised over defined periods. The Directors use an acknowledged valuation approach but this is reliant upon certain judgements which they determine are reasonable by reference to companies in similar industries.

Contingent consideration
The Group initially estimates the amounts payable under 'earn-out' plans to the former shareholders of acquired companies based on the business model produced at the time of acquisition. Earn-out clauses within acquisition agreements typically contain provisions for amounts payable to the former shareholders based on future financial performance. In order to calculate the expected future payments, the acquisition business model contains estimates of the future financial performance for the acquired business.

The post-acquisition performance and expected future performance of acquired companies is reviewed throughout the year. Any adjustments required to contingent consideration arising from a significant departure of financial performance from the original acquisition plan are made as required and recognised through the profit and loss.

The Directors do not consider that there are any other critical accounting judgements or key sources of estimation uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 Segment information

IFRS 8 requires a "management approach" under which information in the financial statements is presented on the same basis as that used for internal management reporting purposes. As announced in September 2013, the Group is now organised on a global basis as a single Enterprise Location Intelligence business. This is the basis of the Group's external market offering and internal organisational and management structure and is the primary way in which the Chief Executive Officer, who is the Chief Operating Decision Maker, receives financial information to assess Group performance. As a result, the Group has therefore determined that it has only one reportable segment as defined by IFRS 8.

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

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

5.1 Revenue by nature	2014 £'000	2013 £'000
Solutions	20,067	13,375
Services	14,984	13,627
Total revenues	35,051	27,002

The Board and Management Team also review the revenues on a geographical basis, based around the regions where the Group has its significant subsidiaries or markets.

5.2 Geographical areas

The Group's revenue from external customers and information about its non-current assets (excluding goodwill and deferred tax) by geography is detailed below:

	Revenue		Non-current assets	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
UK	743	539	4,563	4,239
Europe	12,743	12,478	446	294
Americas	14,223	11,988	769	477
Asia Pacific	7,342	1,997	1,473	2,464
	35,051	27,002	7,251	7,474

Revenues from external customers in the Group's domicile, the UK, as well as its major markets, Europe, Americas and Asia Pacific, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

5.3 Information about major customers

During 2014, revenues of £4.4 million (2013: £6.0 million) were derived from one European customer. There were no other customers in 2014 or 2013 who contributed in excess of 10% of revenue.

6 Employee information

6.1 Employee numbers

The average monthly number of people, including Executive Directors, employed by the Group during the year was:

	Actual number of people as at 31 December		Average monthly number of people	
By activity	2014 Number	2013 Number	2014 Number	2013 Number
Technical consultants	134	130	135	97
Sales & marketing	46	40	45	34
Research & development	33	40	32	35
Administration	37	29	38	20
	250	239	250	186
By geography	2014 Number	2013 Number	2014 Number	2013 Number
United Kingdom	61	53	63	51
Europe	69	54	63	56
Americas	79	72	80	71
Asia Pacific	41	60	44	8
	250	239	250	186

6.2 Employee benefits	Notes	2014 £'000	2013 £'000
Wages and salaries		15,905	13,152
Social security costs		1,512	1,346
Contributions to defined contribution pension arrangements		784	626
Share-based payments	21.2	75	92
Total aggregate employee benefits		18,276	15,216

Included in the wages and salaries figure above are termination benefits of £458,000 (2013: £nil) which are presented as non-recurring costs in the income statement – see note 9.2. The employment terminations in 2014 are expected to provide annualised cost savings of £3,360,000 in 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 Employee information (continued)

6.3 Key management compensation

Key management includes Directors (Executive and Non-Executive) and members of the Executive Management Team. During the year, there was an average number of 10 key management personnel (2013: 12) and 11 personnel at 31 December 2014 (2013: 11). The compensation paid or payable to key management for employee services is shown below:

	2014 £'000	2013 £'000
Short-term employee benefits		
Wages and salaries	973	998
Social security costs	95	151
Other benefits	19	28
	1,087	1,177
Post-employment benefits		
Contributions to defined contribution pension arrangements	47	49
Share-based payments		
Equity-settled share-based payments	25	37
Total key management compensation	1,159	1,263

7 Directors' remuneration and interests

7.1 Directors' remuneration

Director	Basic salary £'000	Performance payments £'000	Benefits in kind £'000	Subtotal £'000	Employer's contributions to defined contribution pension arrangements £'000	Total 2014 £'000	Total 2013 £'000
Robert Parker*	134	49	3	186	14	200	–
Gordon Campbell*	11	–	–	11	2	13	169
Richard Green*	166	102	3	271	18	289	267
Peter Harverson	20	–	–	20	–	20	15
Andrew Hopper	28	–	–	28	–	28	25
J Keith Lomas	6	–	–	6	–	6	15
Richard Newell	6	–	–	6	–	6	15
Robert Sansom**	–	–	–	–	–	–	–
Paul Taylor	20	–	–	20	–	20	15
Ian Kershaw	12	–	–	12	–	12	–
Total	403	151	6	560	34	594	521

* The Directors are remunerated through the Company's flexible benefits scheme under which they can elect to switch basic salary into pension contributions and other benefits. The basic salary entitlement in the year was: Richard Green £175,000, Robert Parker £133,654, Gordon Campbell £12,440.

** Robert Sansom has waived his entitlement to annual remuneration in the year of £20,000 (2013: £15,000 waived).

7.2 Directors' interests – share options

Director	Award date Year	Vests Year	Expires Year	Exercise price £	Awards outstanding at 1 January 2014 Number	Cease to be Director during the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Awards outstanding at 31 December 2014 Number	Awards exercisable at 31 December 2014 Number
Gordon Campbell	2010	2011–13	2020	0.140	120,500	(120,500)	–	–	–	–	–
	2011	2012–14	2021	1.050	32,500	(32,500)	–	–	–	–	–
	2012	2013–15	2022	2.125	40,000	(40,000)	–	–	–	–	–
	2013	2014–16	2023	2.055	40,000	(40,000)	–	–	–	–	–
					233,000	(233,000)	–	–	–	–	–
Richard Green	2011	2012–14	2021	1.050	100,000	–	–	–	–	100,000	100,000
	2012	2013–15	2022	2.125	60,000	–	–	–	–	60,000	40,000
	2013	2014–16	2023	2.055	60,000	–	–	–	–	60,000	20,000
	2014	2015–17	2024	2.250	–	–	75,000	–	–	75,000	–
					220,000	–	75,000	–	–	295,000	160,000
Robert Parker	2014	2015–17	2024	2.250	–	–	60,000	–	–	60,000	–
Peter Harverson	2010	2011–13	2020	0.140	91,333	–	–	–	–	91,333	91,333
Andrew Hopper	2010	2011–13	2020	0.140	20,278	–	–	–	–	20,278	20,278
Richard Newell	2010	2011–13	2020	0.140	1,056	(1,056)	–	–	–	–	–
Total					565,667	(234,056)	135,000	–	–	466,611	271,611

The 2014 grants vest subject to meeting performance criteria set out in the long-term incentive plan ("LTIP"). No other Directors have been granted share options in the Company or other Group entities. None of the terms and conditions of the share options were varied during the year. All options were granted in respect of qualifying services.

Ian Kershaw, Robert Sansom and Paul Taylor do not have any share options as at 31 December 2014. There have been no options granted to or exercised by Directors between 31 December 2014 and 16 March 2015.

The market price of the Company's shares at the end of the financial year was £1.20. The range of market prices during the year was between £1.20 and £2.75.

Directors' gains on share options	Gain on exercise 2014 £'000	Gain on exercise 2013 £'000
Richard Green	–	155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 Directors' remuneration and interests (continued)

7.3 Directors' interests – shares

Directors' interests in the ordinary shares of Ubisense Group plc, at 31 December 2014 and 31 December 2013, were as follows:

	2014 Number	2013 Number
Gordon Campbell	–	87,987
Richard Green*	1,734,906	1,734,906
Peter Harverson	65,161	65,161
Andrew Hopper	225,000	225,000
J Keith Lomas	–	47,712
Richard Newell	–	643,354
Robert Sansom	2,493,676	2,493,676
	4,518,743	5,297,796

* Includes 115,617 (2013: 115,617) shares held by the RT Green Children's Trust of which Richard Green is a trustee.

Gordon Campbell, J Keith Lomas and Richard Newell ceased to be Directors during the year and therefore no interest in shares is disclosed at 31 December 2014, although these individuals still retain an interest in the ordinary shares of Ubisense Group Plc.

There has been no change in the interests set out above between 31 December 2014 and 16 March 2015.

Paul Taylor, Robert Parker and Ian Kershaw hold no shares as at 31 December 2013 (or their appointment date if later), 31 December 2014 nor 16 March 2015.

8 Finance income and costs

	2014 £'000	2013 £'000
Interest income from cash and cash equivalents	14	10
Finance income	14	10
Interest payable – bank	(197)	(103)
Interest payable – other	(14)	–
Finance costs	(211)	(103)
Net finance costs	(197)	(93)

9 Loss before tax: analysis of expenses by nature

9.1 Expenses by nature

The following items have been charged/(credited) to the income statement in arriving at loss before tax:

	Notes	2014 £'000	2013 £'000
Amortisation of acquired intangible assets	12	751	313
Amortisation and impairment of other intangible assets	12	2,937	1,332
Depreciation of owned property, plant and equipment	13	359	266
Loss on disposal of property, plant and equipment		22	–
Operating lease rental charges – land and buildings		715	445
Operating lease rental charges – other		167	135
Inventory recognised as an expense		2,884	1,057
Research and development costs expensed		766	946
Net foreign currency gains		(180)	(153)
Non-recurring items	9.2	2,363	764
Auditors' remuneration	9.3	254	216

9.2 Non-recurring items

	2014 £'000	2013 £'000
Strategic Asia Pacific market entry costs	603	650
Acquisition costs	34	114
Reorganisation costs	458	–
Impairment of acquired intangible assets	1,268	–
Total non-recurring items	2,363	764

During 2014, the Group incurred non-recurring items of £2.4 million of which £0.6 million (2013: £0.7 million) related to strategic Asia Pacific market entry. In addition, the Group incurred acquisition costs, mainly comprising professional fees, in connection with a potential future acquisition (2013: professional fees in connection with an acquisition that did not proceed).

During 2014, the Group incurred reorganisation costs totalling £458,000 comprising mainly redundancy costs in order to align the employee base with the future strategy of the Group.

The impairment of acquired intangible assets relates to the write-off of goodwill and customer relationships acquired with Realworld OO Systems Limited in 2011. More details are included in note 12.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9 Loss before tax: analysis of expenses by nature (continued)

9.3 Auditors' remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2014 £'000	2013 £'000
Fees payable to the Group's auditor for the audit of:		
Parent Company and consolidated financial statements	27	16
Financial statements of subsidiaries, pursuant to legislation	100	91
Total audit fees	127	107
Fees payable to the Group's auditor for other services:		
Tax services	74	26
Corporate Finance services	53	75
Other services	–	8
Total non-audit fees	127	109
Total auditors' remuneration	254	216

The auditor of Ubisense Group plc is Grant Thornton UK LLP.

During the year, the auditor was used for due diligence work as this was considered most beneficial to the Group due to the auditor's established knowledge and experience of the Group's activities. The auditor's independence and objectivity was safeguarded through the use of separate engagement teams. No services were provided pursuant to contingent fee arrangements.

10 Income tax

10.1 Income tax recognised in the income statement

	2014 £'000	2013 £'000
Current tax		
UK corporation tax	–	2
Foreign tax	239	36
Research and development tax credits – prior years	(537)	(177)
Total current tax credit	(298)	(139)
Deferred tax		
Origination and reversal of temporary differences	(438)	358
Total deferred tax (credit) / expense	(438)	358
Total income tax (credit) / expense	(736)	219

The tax credit differs from the standard rate of corporation tax in the UK for the year of 21.5% (2013: 23%) for the following reasons:

	2014 £'000	2013 £'000
Loss before tax	(4,778)	(1,719)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23%)	(1,027)	(395)
Tax effects of:		
Expenses not deductible for tax purposes	137	219
Accrued contingent consideration released not subject to tax	7	–
Utilisation of previously unrecognised tax losses	77	(96)
Tax losses for which no deferred tax asset was recognised	734	708
Tax unprovided in prior years	–	38
Research and development tax credits – prior years	(537)	(188)
Difference on tax treatment of share options	17	74
Re-measurement of deferred tax – change of tax rate	120	–
Differential on overseas tax rates	(31)	(149)
Other temporary differences	(233)	8
Total income tax (credit) / expense	(736)	219

10.2 Factors that may affect future tax charges

The Group has tax losses of £9.3 million (2013: £8.9 million) that are available for offset against future taxable profits of those subsidiary companies in which the tax losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and they have arisen in subsidiaries whose future taxable profits are uncertain. No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries, because the earnings are continually reinvested by the Group and no tax is expected to be payable on them in the foreseeable future.

On 3 July 2012, the UK Government substantially enacted reductions to the UK corporation tax rates. Effective from 1 April 2014, the UK corporation tax rate reduced from 23% to 21% and effective from 1 April 2015, the rate will reduce further to 20%. As a result, the deferred tax balances have been re-measured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 Income tax (continued)

10.3 Deferred tax

The movement in deferred tax in the Consolidated statement of financial position during the year is as follows:

	Deferred income tax assets		Deferred income tax liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 Restated £'000
At 1 January	–	–	(1,773)	(653)
Arising on acquisition of subsidiaries	–	–	–	(761)
Deferred tax credited to the income statement	–	–	1,085	57
Deferred tax charged to the income statement	–	–	(648)	(416)
At 31 December	–	–	(1,336)	(1,773)

The components of deferred tax included in the Consolidated statement of financial position are as follows:

	2014 £'000	2013 Restated £'000
Development costs capitalised	(448)	(901)
Intangible assets recognised on acquisition of subsidiaries	(888)	(872)
Total deferred income tax liabilities	(1,336)	(1,773)

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits:

	2014 £'000	2013 £'000
Tax losses carried forward	2,546	2,537
Equity-settled share options temporary differences	201	452
Total unrecognised deferred tax assets	2,747	2,989

11 Earnings per share (EPS)

	2014	2013
Earnings		
Earnings for the purposes of basic and diluted EPS being net loss attributable to equity holders of the parent company (£'000)	(4,085)	(1,968)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	24,541	21,984
Effect of dilutive potential ordinary shares:		
– Share options ('000)	969	1,034
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	25,510	23,018
Basic EPS (pence)	(16.7)	(8.9)
Diluted EPS (pence)	(16.7)	(8.9)

Basic earnings per share is calculated by dividing profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average number of shares is adjusted to allow for the effects of all dilutive share options and warrants outstanding at the end of the year. Options have no dilutive effect in loss-making years, and hence the diluted loss per share for the year is the same as the basic loss per share.

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

	Notes	2014 £'000	2013 £'000
Earnings for the purposes of diluted EPS being net loss attributable to equity holders of the parent company (£'000)		(4,085)	(1,968)
Adjustments:			
Reversal of amortisation on acquired intangible assets (£'000)	9, 12	751	313
Reversal of share-based payments charge (£'000)	21.2	75	92
Reversal of non-recurring items (£'000)	9.2	2,363	764
Net adjustments (£'000)		3,189	1,169
Adjusted earnings (£'000)		(896)	(799)
Adjusted diluted EPS (pence)		(3.5)	(3.5)

The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 Other intangible assets

	Goodwill Restated £'000	Acquired customer relationships and order backlog £'000	Acquired software products Restated £'000	Capitalised product development costs £'000	Software £'000	Total Restated £'000
Cost						
At 1 January 2013	7,418	449	529	4,424	299	13,119
Effects of movement in exchange rates	–	–	–	–	–	–
Acquisition of Geoplan	2,201	1,593	408	–	173	4,375
Additions	–	–	–	3,037	161	3,198
At 31 December 2013	9,619	2,042	937	7,461	633	20,692
Exchange difference	(203)	(205)	(52)	–	(38)	(498)
Additions	–	–	–	2,956	544	3,500
At 31 December 2014	**9,416**	**1,837**	**885**	**10,417**	**1,139**	**23,694**
Accumulated amortisation						
At 1 January 2013	–	(148)	(221)	(2,314)	(117)	(2,800)
Charge for the year	–	(120)	(193)	(1,227)	(105)	(1,645)
At 31 December 2013	–	(268)	(414)	(3,541)	(222)	(4,445)
Effects of movement in exchange rates	–	36	11	(1)	24	70
Charge for the year	–	(497)	(254)	(2,568)	(289)	(3,608)
Impairment for the year	(1,192)	(76)	–	(80)	–	(1,348)
At 31 December 2014	**(1,192)**	**(805)**	**(657)**	**(6,190)**	**(487)**	**(9,331)**
Net book amount						
At 31 December 2014	**8,224**	**1,032**	**228**	**4,227**	**652**	**14,363**
At 31 December 2013	9,619	1,774	523	3,920	411	16,247

The acquired software products, customer relationships and order backlog assets arose on the acquisition in 2013 of the Geoplan group of companies and in 2011 of Integrated Mapping Solutions, Inc. (now merged into Ubisense Inc.) and Realworld OO Systems Limited (now re-named Geospatial Systems Limited). Capitalised development assets relate to expenditure that can be applied to a plan or design for the production of new or substantially improved products and processes. The software assets represent assets purchased from third parties.

The restatement of 2013 goodwill and acquired software products relates to the provisional fair value of assets acquired with the Geoplan group. Further details are included in note 24.

During the year, an impairment expense of £1,192,000 was recognised in respect of goodwill and £76,000 in respect of acquired customer relationships. This impairment expense related to goodwill and unamortised customer relationships relating to the acquisition of Realworld OO Systems Limited in 2011, which have been written down to £nil carrying value at 31 December 2014. This impairment arose as a result of the Group strategy focussing on higher margin Solutions revenue streams and exiting from specific lower margin business areas.

In assessing whether intangible assets have been impaired, the carrying amount of the cash-generating unit ("CGU") or groups of CGUs (including goodwill) is compared with the recoverable amount of the CGU or groups of CGUs. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of readily available information about the fair value of a cash-generating unit, the recoverable amount is deemed to be the value in use for the purposes of performing an impairment test of goodwill, unless this would lead to an impairment loss. If goodwill would be impaired using value in use as the recoverable amount, a fair value less costs to sell assessment would be performed as this may lead to a higher recoverable amount. The Group calculates the value in use using a discounted cash flow model. The future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks. A discount rate of 11.5% has been used for impairment calculations performed in 2014 (2013: 10.0% and 14.5%). The recoverable amounts of all CGUs have been determined from value-in-use calculations based on 3–5 year forecasts projected from the 2014 annual operating plan approved by the Board for each CGU, with an assumed terminal growth rate of nil (2013: 0–3%) and no improvement in relative operating margin after the forecast period. The Board has considered reasonable possible sensitivities in key assumptions on which the value-in-use calculations are based. If the discount factor increased to 35%, this would not cause the carrying value to exceed the estimated recoverable amount.

There was no further impairment of intangible assets as the estimated recoverable amount exceeded the carrying value for all CGUs.

13 Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2013	543	517	1,060
Effect of movements in exchange rates	(42)	4	(38)
Additions	52	88	140
Acquisition of subsidiary	136	–	136
Disposals	–	(2)	(2)
At 31 December 2013	689	607	1,296
Effect of movements in exchange rates	(23)	(26)	(49)
Additions	556	402	958
Disposals	(331)	(96)	(427)
At 31 December 2014	**891**	**887**	**1,778**
Accumulated depreciation			
At 1 January 2013	(199)	(240)	(439)
Effect of movements in exchange rates	32	3	35
Charge for the year	(88)	(178)	(266)
Disposals	–	2	2
At 31 December 2013	(255)	(413)	(668)
Effect of movements in exchange rates	17	13	30
Charge for the year	(139)	(220)	(359)
Disposals	239	92	331
At 31 December 2014	**(138)**	**(528)**	**(666)**
Net book amount			
At 31 December 2014	**753**	**359**	**1,112**
At 31 December 2013	434	194	628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 Inventories

	2014 £'000	2013 Restated £'000
Raw materials	1,088	811
Finished goods	1,793	1,777
Total inventories	2,881	2,588

There are no impairment provisions against inventory included in the above amounts (2013: £nil). The Group's inventories are comprised of products which are not generally subject to rapid obsolescence on account of technological, deterioration in condition or market trends.

15 Trade and other receivables

	Notes	2014 £'000	2013 £'000
Trade receivables, gross		8,961	7,072
Allowances for doubtful debts	15.1	(68)	(141)
Trade receivables, net	15.2	8,893	6,931
Amounts recoverable on contracts		4,134	3,347
Other receivables		211	285
Prepayments and accrued income		1,255	645
Corporation tax recoverable		521	177
VAT and taxation receivable		527	162
Total trade and other receivables		15,541	11,547

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

Due to having a blue chip customer base and effective credit control procedures, the Group is not significantly exposed to the risk of bad debt. The following disclosures are in respect of trade receivables that are either impaired or past due. The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. Any impairment is assessed on a customer-by-customer basis following a detailed review of the particular circumstances. To the extent they have not been specifically provided against, the trade receivables are considered to be of sound credit rating.

15.1 Movement in allowance for doubtful debts

	2014 £'000	2013 £'000
At 1 January	(141)	(80)
Amounts recovered in the year	33	2
Amounts written off in the year	41	–
Allowance made	(1)	(63)
At 31 December	(68)	(141)

15.2 Ageing of past due but not impaired receivables

	2014 £'000	2013 £'000
Neither past due nor impaired	5,492	5,114
Past due but not impaired:		
– 0 to 90 days overdue	2,494	1,500
– More than 90 days overdue	907	317
Total	8,893	6,931

16 Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and in hand	3,697	3,848
Short-term bank deposits	–	116
Cash and cash equivalents	3,697	3,964

The carrying amount approximates to fair value because of the short-term maturity of these instruments, being no greater than three months.

Cash at bank earns interest at floating rates based on daily bank overnight deposit rates. Short-term cash deposits earn interest at fixed rates for the term of the deposit.

The composition of cash and cash equivalents by currency is as follows:

	2014 £'000	2013 £'000
British Pound (GBP)	904	489
Euro (EUR)	1,361	496
US Dollar (USD)	1,169	739
Japanese Yen (JPY)	122	1,718
South Korean Won (KRW)	36	352
Canadian Dollar (CAD)	103	11
Philippine Peso (PHP)	2	–
Turkish Lira (TRY)	–	159
Cash and cash equivalents	3,697	3,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 Trade and other payables

	Notes	2014 £'000	2013 £'000
Payments received on account		2,137	2,765
Trade payables		4,021	3,570
Trade accruals		2,020	1,748
Current tax liability		51	41
Other taxation and social security		822	667
Other payables		765	705
Other liabilities – deferred consideration	24.2	–	172
Other liabilities – contingent consideration	24.2	–	355
Total trade and other payables		9,816	10,023

All amounts disclosed are short term. The carrying value of trade payables is considered a reasonable approximation of fair value.

18 Bank loans

In August 2013, the Group agreed a new three-year bank loan facility of up to £5.0 million to provide additional future working capital capacity and is repayable in full in August 2016. Interest is payable at LIBOR plus 3% and the facility is secured on the fixed and floating assets of the Group. The facility is subject to certain operating performance and net worth covenants of the business. As at 31 December 2014, and as at 16 March 2015, £4.0 million (31 December 2013: £3.5 million) is outstanding and is repayable by Ubisense Limited to HSBC Bank plc.

In June 2014, the Group agreed a new one-year bank loan of 130 million Japanese Yen. The facility was increased to 200 million Japanese Yen in October 2014. The loan is unsecured and interest is payable at 0.99%. At 31 December 2014, and as at 16 March 2015, 170 million Japanese Yen (2013: nil) is outstanding and repayable by Geoplan Company Limited to Mizuho Bank.

In August 2014, the Group agreed a new additional four year bank loan facility of £2.0 million to provide funds for acquisitions and is repayable in quarterly instalments. Interest is payable at Bank of England base rate plus 3% and the facility is secured on the fixed and floating assets of the Group. The facility is subject to certain operating and net worth covenants of the business. As at 31 December 2014, £2.0 million (31 December 2013: £nil) was outstanding and at 16 March 2015 £1.9 million was outstanding. The loan is repayable by Ubisense Limited to HSBC Bank plc.

All covenants tests during the year were met and all tests for the forthcoming 12 months are forecast to be met based on our annual operating plan and our latest rolling forecast.

19 Other payables

	Notes	2014 £'000	2013 £'000
Contingent consideration	24.2	414	429
Property provisions		179	–
Rent deposit repayable		11	–
		604	429

In September 2014, Ubisense Limited entered a new 10-year lease on the Group's headquarter offices. The property provision is a dilapidation provision to restore the office to its original state. It is included in fixtures and fittings within Property, Plant and Equipment and is being depreciated over the lease term.

20 Share capital and premium

	Number of ordinary shares of £0.02 each	Share capital £'000	Share premium £'000	Total £'000
Balance at 1 January 2013	21,919,744	438	22,251	22,689
Issued under share-based payment plans	399,593	8	103	111
Issued on acquisition of subsidiary	759,809	15	1,696	1,711
Change in year	1,159,402	23	1,799	1,822
Balance at 31 December 2013	23,079,146	461	24,050	24,511
Issued under share-based payment plans	54,107	1	23	24
Issued on placing to institutional shareholders	1,929,589	39	3,978	4,017
Change in year	1,983,696	40	4,001	4,041
Balance at 31 December 2014	**25,062,842**	**501**	**28,051**	**28,552**

The Company has one class of ordinary shares which carry no right to fixed income.

During the period, the Company issued 1,983,696 shares, increasing the total number of shares in issue from 23,079,146 to 25,062,842 as follows:

- 1,929,589 shares at £2.20 per share for a total gross consideration of £4,246,000 with share issue costs of £229,000 written off against the share premium account
- 54,107 shares as a result of options exercised with a weighted average exercise price of £0.45 per share for total cash consideration of £24,334.

21 Share-based payments: options

21.1 Equity-settled share-based payment arrangements

The Group operates a number of plans to award options over shares in the Company to the best-performing employees of the Group around the world.

Options are generally granted at an exercise price equal to the market price of the shares under option at the date of the grant. The options generally vest evenly over three years on the anniversary from the date of the grant or entirely on the third anniversary from the date of grant, depending on continuing service during the vesting period. The contractual life of the options is 10 years from the date of grant, after which they expire if unexercised.

21.2 Analysis of amounts recognised in the financial statements

(a) Analysis of amounts recognised in the Consolidated income statement	2014 £'000	2013 £'000
Total share-based payments charge recognised in operating profit	75	92

(b) Analysis of amounts recognised in the Consolidated statement of changes in equity in the year	2014 £'000	2013 £'000
Net share-based payments credit recognised in equity	75	92

(b) Cumulative amounts included within equity in the Consolidated statement of financial position	2014 £'000	2013 £'000
Cumulative reserve credit for share-based payments	821	746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Share-based payments: options (continued)

21.3 Reconciliation of movements in equity-settled share-based payment arrangements in the year

Arrangement	Award date Year	Vests Year	Expires Year	Exercise price £	Awards outstanding at 1 January 2014 Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Awards outstanding at 31 December 2014 Number	Awards exercisable at 31 December 2014 Number
Options	2007	2008–10	2017	0.900	300	–	–	–	300	300
	2008	2009–11	2018	0.900	650	–	–	–	650	650
	2009	2010–12	2019	0.900	3,750	–	–	–	3,750	3,750
	2010	2011–13	2020	0.140	883,144	–	(35,690)	–	847,454	847,454
	2011	2012–14	2021	1.050	408,450	–	(18,417)	(3,916)	386,117	386,117
	2011	2012–14	2021	1.975	11,386	–	–	(11,386)	–	–
	2012	2013–15	2022	2.125	344,000	–	–	(28,000)	316,000	210,667
	2013	2014–16	2023	2.055	371,500	–	–	(20,000)	351,500	117,167
	2014	2015–17	2024	2.250	–	447,500	–	(10,000)	437,500	–
Total					**2,023,180**	**447,500**	**(54,107)**	**(73,302)**	**2,343,271**	**1,556,105**
Weighted average exercise price (£)					1.025	2.250	0.450	2.042	1.240	0.777

In May 2014, 447,500 share options were granted to employees with an exercise price of £2.25 per share, being the market value at the date of exercise. The weighted average share price at the date of exercise for options exercised during the year was £1.921 (2013: £2.1053).

21.4 Principal assumptions

The fair value of share-based payments grants has been valued using the Black–Scholes option-pricing model. Expected volatility was determined based on the historic volatility of comparable companies. The expected life is the expected period from grant to exercise based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free rate of return is an average yield on the zero-coupon UK Government Bond in issue at the date of grant with a similar life to the option or warrant.

The following assumptions were used in the model for options granted during the years ended 31 December 2014 and 31 December 2013.

Instrument	Option	Option
Number granted	447,500	421,500
Grant date	23 May 2014	19 April 2013
Share price at grant date (£)	2.250	2.055
Exercise price (£)	2.250	2.055
Fair value per option (£)	0.60	0.30
Expected life (years)	3.0	3.0
Expected volatility (%)	34	20
Risk-free interest rate (%)	1.83	0.79
Expected dividends expressed as a dividend yield (%)	–	–

22 Operating lease commitments

Leases as lessee

At 31 December 2014, the Group has lease agreements in respect of property and equipment for which payments extend over a number of years. The Group enters into these arrangements as these are a cost-efficient way of obtaining the short-term benefits of these assets. The Group lease rental charge is disclosed in note 9.1. There are no other material off-balance sheet arrangements.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
Lease ending	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
No later than one year	**785**	433	**121**	111
Later than one year and no later than five years	**2,441**	1,409	**85**	117
Later than five years	**3,043**	550	**–**	–
Total	**6,269**	2,392	**206**	228

The above table reflects the committed cash payments under operating leases, rather than the expected charge to the income statement in the relevant periods. The effect on the income statement will differ from the above figures due to the amortisation of rent-free and discounted rent periods included in property leases signed in 2012 and 2014. The expected charge in 2015 for operating leases is expected to be £84,000 higher than the committed cash payments shown above.

The Group has guaranteed rent bonds issued by its banks on its behalf totalling £134,000 as at 31 December 2014 (2013: £122,000). These are not expected to result in any material financial loss.

23 Principal subsidiaries

Subsidiary	Country of incorporation	Principal activity	Proportion of ordinary shares held by group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Ubisense Limited	UK	Location solutions	100	–
Ubisense GmbH	Germany	Location solutions	100	–
Ubisense SAS	France	Location solutions	100	–
Ubisense Inc.	US	Location solutions	100	–
Ubisense Solutions Inc.	Canada	Location solutions	100	–
Geospatial Systems Limited	UK	Location solutions	100	–
Ubisense Inc.	Japan	Intermediate holding company	100	–
Geoplan Company Limited*	Japan	Location solutions	77	23
Binary Star Developments K.K.*	Japan	Non-trading	100	–
Ubisense Company Limited*	South Korea	Location solutions	100	–
Geoplan Philippines, Inc.*	Philippines	Location solutions	100	–

All subsidiaries are directly held by Ubisense Group plc except those denoted * which are held by intermediate holding companies.

All subsidiaries prepare local statutory accounts up to 31 December each year except for Geospatial Systems Limited which prepares accounts up to 31 March and Binary Star Developments K.K. to 31 January. For subsidiaries which have a different financial year-end to the Group, additional co-terminous accounts are prepared reflecting the same financial reporting as the Group for the purposes of consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 Business combinations

24.1 Subsidiaries acquired

Subsidiary	Country of incorporation	Principal activity	Date of acquisition	Proportion of equity interest acquired
Ubisense Inc.	Japan	Location solutions	3 December 2013	100%

The Ubisense Inc. (formerly named Geoplan Interworks K.K.) group of companies ("Geoplan") was acquired to enhance the Group's geographic reach into the Asian market. The Geoplan group is headquartered in Japan and its markets across the region will be developed from there.

24.2 Consideration transferred

	Total £'000
Cash consideration paid	635
Consideration satisfied by issue of Ubisense shares	1,711
Deferred consideration	178
Contingent cash consideration arrangement	816
Consideration transferred	**3,340**

Consideration was satisfied by issue of Ubisense shares, comprised 759,809 new ordinary shares of nominal value of £0.02 in Ubisense at a price of 225.25 pence per ordinary share, being the average of the volume-weighted mid-market closing price on each of the preceding five business days.

The deferred consideration was paid in full in January 2014.

Under the contingent cash consideration arrangement, the Group is required to pay additional amounts to the vendors of Geoplan based on the achievement of two separate performance milestones that may arise between 2014 and 2017 with a combined undiscounted range of outcomes between nil and 149 million Japanese Yen (£nil to £892,000).

At acquisition, the fair value of the contingent consideration was 136 million Japanese Yen (£816,000) being management's best estimate of the probability-adjusted estimated discounted future cash flows. The discount rate used is 3.5%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The fair value amount recognised for this arrangement is revised based on the most recent management estimates and, as the liability is denominated in Japanese Yen, it is subject to the impact of exchange rates.

	At 31 December 2013 £'000	Effect of exchange rates £'000	Paid in the period £'000	Unwinding of discount £'000	Fair value adjustment £'000	At 31 December 2014 £'000
Contingent consideration – non-current	429	(29)	–	14	–	414
Contingent consideration – current	355	7	(330)	–	(32)	–
Total contingent consideration	784	(22)	(330)	14	(32)	414
Deferred consideration	172	7	(179)	–	–	–
Total	956	(15)	(509)	14	(32)	414

Acquisition-related costs amounting to £464,000 have been excluded from the consideration transferred and have been recognised as an expense within the "operating expenses" line item in the consolidated income statement in 2013.

24.3 Assets acquired and liabilities recognised at the date of acquisition

As at 31 December 2013, the fair values of acquired assets, liabilities and goodwill for Geoplan were determined on a provisional basis due to the proximity of the acquisition to the year end. The post-acquisition review of the fair value of the net assets acquired was completed in the current period. The following amendments have been retrospectively applied to net assets acquired and liabilities recognised at the date of acquisition.

	At 31 December 2013 £'000	Fair value adjustment £'000	At 31 December 2013 Restated £'000
Assets			
Non-current assets			
Acquired software products	626	(218)	408
Acquired customer relationships and order backlog	1,593	–	1,593
Other intangible assets	173	–	173
Property, plant and equipment	132	–	132
Total non-current assets	2,524	(218)	2,306
Current assets			
Inventories	1,605	(518)	1,087
Trade and other receivables	1,080	–	1,080
Cash and cash equivalents	2,481	–	2,481
Total current assets	5,166	(518)	4,648
Liabilities			
Current liabilities			
Trade and other payables	(4,500)	–	(4,500)
Total current liabilities	(4,500)	–	(4,500)
Non-current liabilities			
Deferred income tax liabilities	(843)	83	(760)
Total non-current liabilities	(843)	83	(760)
Non-controlling interest	(704)	150	(554)
Fair value of identifiable net assets acquired	1,643	(503)	1,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 Business combinations (continued)

24.4 Goodwill arising on acquisitions

	Total £'000
Fair value of consideration transferred	3,340
Less: fair value of identifiable net assets acquired	(1,140)
Goodwill arising on acquisitions	2,200
Effect of movement of exchange rates	(203)
Goodwill at 31 December 2014	1,997

Goodwill arose on the acquisition of Geoplan in respect of the benefits of a highly knowledgeable workforce, expected operational synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill is not expected to be deductible for tax purposes.

24.5 Impact of acquisitions on the results of the Group

Geoplan contributed £109,000 to the consolidated profit from 3 December 2013 to 31 December 2013. If Geoplan had been acquired on 1 January 2013, revenue of the Group for 2013 would have been £31,649,000, adjusted EBITDA would have been £870,000 and the loss before tax would have been £1,903,000.

24.6 Post-period disposal

The Group is in the progress of selling Geoplan Philippines Inc. under a management buy-out. This proposed transaction will not have a material impact on the Group or on the results for 2015.

25 Related party transactions

Other than compensation of key management personnel disclosed in note 6.3 there are no transactions with other related parties. Full details of Directors' remuneration are given in note 7.

There were no other transactions with Directors of the Company.

26 Financial risk management

26.1 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 below. The main types of risks are market risk (including foreign currency risk and interest rate 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.

26.2 Foreign currency risk management

The Group operates globally and undertakes certain transactions denominated in foreign currencies, predominantly in US dollars (USD), Euros (EUR) and Japanese Yen (JPY), exposing the Group to foreign currency risk. The Group's risk management policy is to maintain natural hedges where possible, by matching foreign currency revenue and expenditure. 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.

Foreign currency denominated monetary assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those not denominated in the local functional currency, translated into GBP at the closing rate.

	Japanese Yen		US Dollars		Euros	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Assets	–	–	2,240	777	886	623
Liabilities	–	–	(199)	(5)	–	(5)

All foreign currency financial assets and liabilities are classified as current.

26.3 Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit and equity in regard to the Group's financial assets and financial liabilities and the USD/GBP, EUR/GBP and JPY/GBP exchange rates "all other things being equal". It assumes a +/-5% change in the GBP exchange rate against the relevant foreign currencies. The percentage has been determined based on the average market volatility in exchange rates in the previous 12 months.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end. A positive number indicates an increase in profit and equity.

	Japanese Yen		US Dollars		Euros	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Effect of a 5% strengthening in relevant exchange rate on:						
Income statement	(5)	–	182	41	221	33
Equity	(5)	–	182	41	221	33
Effect of a 5% weakening in relevant exchange rate on:						
Income statement	5	–	(201)	(37)	(244)	(30)
Equity	5	–	(201)	(37)	(244)	(30)

Exposure to foreign currency exchange rates vary during the year, depending on the volume of transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

26.4 Interest rate sensitivity

The Group's exposure to interest rate risk relates primarily to the Group's variable rate bank loan facilities of £7.0 million, which are partially offset by cash held at variable rates. Interest is payable at LIBOR plus 3% on the £5.0 million facility and £4.0 million was outstanding at 31 December 2014 (2013: £3.5 million). Interest is payable at Bank of England base rate plus 3% on the £2.0 million facility, which was fully drawn at 31 December 2014 (2013: £nil). Other bank loans are at a fixed interest rate of 0.99%.

The following table illustrates the sensitivity of the net profit of the Group for the year and equity to a reasonably possible change in interest rates of +/-0.5%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the interest rate with effect from the beginning of the year and the financial instruments held at the reporting date that are sensitive to interest rate changes. All other variables are held constant. A positive number indicates an increase in profit or equity.

	2014 £'000	2013 £'000
Effect of a 0.5% decrease in interest rate on:		
Income statement	23	17
Equity	23	17
Effect of a 0.5% increase in interest rate on:		
Income statement	(23)	(17)
Equity	(23)	(17)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 Financial risk management (continued)

26.5 Credit risk analysis
Credit risk is the risk that a counterparty fails to discharge a contractual obligation resulting in financial loss to the Group. 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 26.8, which are principally cash and cash equivalents and trade receivables.

Cash and cash equivalents are held at banks with good independent credit ratings in accordance with the Group Treasury policy. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by the 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 its 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. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. In addition many of the Group's customers, and approximately 80% by balance at any given time, are large utility companies and other blue chip companies that would be considered a low credit risk.

The amount of exposure to any single counterparty or a group of counterparties having similar characteristics is subject to a limit, which is reassessed periodically by management. At 31 December 2014, no customers individually accounted for more than 10% of the trade receivables balance.

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

Details of certain trade receivables at 31 December 2014 that have not been settled by the contractual due date but are not considered to be impaired are included in note 15.2.

26.6 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 seeks to manage this risk by monitoring scheduled debt servicing payments for long-term financial liabilities, regularly reviewing forecast inflows and outflows due in day-to-day business and investing cash assets safely and profitably. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below.

Cash flow forecasting is performed at the subsidiary level and aggregated by Group finance. Rolling cash flow forecasts are used by the Group to monitor liquidity requirements to ensure it has sufficient cash to meet operational needs, as well as maintaining sufficient headroom so that loan covenants are not breached. The Group policy throughout the year has been to remit surplus working capital balances at the subsidiary level to Group treasury and place on short-term deposit or interest-bearing reserve accounts and to draw down on borrowing facilities and distribute funds locally when required. As disclosed in note 18, the Group has total bank loan facilities of £8.1 million, of which £6.9 million was drawn down at 31 December 2014 (2013: £5.0 million facility, £3.5 million drawn down).

The Group considers expected cash flows from financial assets, predominately cash and trade receivables, in assessing and managing liquidity risk. The Group's cash and trade receivable resources at 31 December 2014 (see note 15) exceed the current cash outflow requirements.

As at 31 December 2014, the Group's financial liabilities, including interest payments where applicable, have contractual maturities as summarised in the following:

26.6 Liquidity risk analysis (continued)

	Current		Non-current	
	Within 6 months £'000	Between 6 and 12 months £'000	Between 1 and 5 years £'000	Later than 5 years £'000
As at 31 December 2014				
Trade and other payables	**9,465**	**351**	**120**	**–**
Bank loans	**927**	**–**	**6,000**	**–**
Provision for liabilities	**–**	**–**	**425**	**179**
As at 31 December 2013				
Trade and other payables	6,195	355	430	–
Bank loans	–	–	3,500	–

Financial assets used for managing liquidity risk.

Cash flows from trade and other receivables are contractually due within six months in the majority of cases. Extended credit terms have been agreed with specific customers. 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 three months.

26.7 Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to stakeholders and to maintain an optimal capital structure to reduce the long-term cost of capital. The capital structure of the Group consists of cash and cash equivalents and capital and reserves attributable to the owners of the Company, and the Group's borrowing facilities.

In order to maintain or adjust the capital structure, the Group may issue shares, take on debt, sell assets to raise cash, adjust the amount of dividends payable to shareholders or return capital to shareholders.

The capital structure is continually monitored by the Group. The Group's strategy is to have a capital structure that allows investment in long-term profitable growth, takes into account prevailing trading conditions and seeks to improve balance sheet efficiency over time. The Group is not subject to externally imposed capital requirements.

The Group entered into a £5.0 million bank facility in 2013 of which £4.0 million was drawn as at 31 December 2014 (2013: £3.5 million) in order to provide working capital capacity to fund business growth. A further £3.1 million of loan facilities were entered into in 2014, £2.0 million denominated in GBP and £1.1 million denominated in JPY. At the year end, £2.9 million of these new facilities were drawn of which £2.0 million was denominated in GBP and £0.9 million was Japanese Yen. The Group may need to seek further capital, through equity or debt, in the future in order to support the current growth plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 Financial risk management (continued)

26.8 Categories of financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the accounting policies in note 3. The carrying amounts presented in the Consolidated Statement of Financial Position relate to the following categories of financial instrument:

	Notes	2014 £'000	2013 £'000
Financial assets			
Loans and receivables:			
– Trade receivables	15	8,893	6,931
– Amounts recoverable on contracts	15	4,134	3,347
– Other receivables	15	2,514	285
– Cash and cash equivalents	16	3,697	3,964
Total financial assets		19,238	14,527
Financial liabilities			
Amortised cost:			
– Trade payables	17	4,021	3,570
– Trade accruals	17	2,020	1,748
– Other payables	17	3,775	705
– Deferred consideration	24.2	–	172
– Contingent consideration	24.2	414	785
– Provisions	19	190	–
– Bank loans	18	6,927	3,500
Total financial liabilities		17,347	10,480

INDEPENDENT AUDITOR'S REPORT

to the members of Ubisense Group Plc

We have audited the parent company financial statements of Ubisense Group Plc for the year ended 31 December 2014 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Ubisense Group plc for the year ended 31 December 2014.

Paul Naylor

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

16 March 2015

COMPANY BALANCE SHEET

for the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments in subsidiaries	3	**17,999**	17,332
Current assets			
Debtors	4	**10,113**	7,540
Cash at bank and in hand		**19**	288
		10,132	7,828
Creditors – amounts falling due within one year	5	**(143)**	(403)
Net current assets		**9,989**	7,425
Total assets less current liabilities		**27,988**	24,757
Net assets		**27,988**	24,757
Capital and reserves			
Called-up share capital	6	**501**	461
Share premium account	7	**28,051**	24,050
Share-based payment reserve	7	**821**	746
Profit and loss reserve	7	**(1,385)**	(500)
Equity shareholders' funds	8	**27,988**	24,757

The notes on pages 45 to 76 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 16 March 2015 and signed on its behalf by:

Richard Green
Chief Executive Officer
Ubisense Group plc

Robert Parker
Chief Financial Officer

Registered number: 05589712

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Principal accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

The Company has taken advantage of the exemption allowed under FRS 8 "Related party disclosures" not to show transactions with other wholly owned companies in the Group headed by Ubisense Group plc.

Share-based payments
The Company issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share-based payments are measured at fair value at the date of grant using the Black–Scholes 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. The share-based payment is accounted for as a capital contribution to the subsidiaries. Investments in subsidiaries are increased by the aggregate amount of share-based payment with a corresponding increase in shareholders' funds for the same amount.

Investments in subsidiaries
Fixed asset investments are shown at cost less provision for impairment.

Deferred taxation
Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2 Loss for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. Ubisense Group plc reported a loss for the financial year ended 31 December 2014 of £885,000 (2013: £835,000).

The Company does not have any employees (2013: nil). Directors' emoluments are disclosed in note 7 of the consolidated financial statements. The Directors were not remunerated by the parent Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

3 Investments in subsidiaries

	Investments in subsidiaries £'000
Cost and net book amount	
At 1 January 2014	17,332
Additions	592
Capital contribution relating to share-based payments	75
At 31 December 2014	**17,999**

Additions
Additions in the year relate to a subscription of new shares in existing subsidiary companies; Ubisense Group Plc purchased 55 million shares in Ubisense Inc. (formerly named Geoplan Interworks K.K.) for consideration of 100 million Japanese Yen.

Capital contribution
The capital contributions relating to share-based payments arise because the Company has granted share options to the employees of its various subsidiaries.

4 Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	10,113	7,537
Other debtors	–	3
	10,113	7,540

5 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade accruals	143	403

6 Share capital

	2014 Number	2013 Number	2014 £'000	2013 £'000
Allotted, called up and fully paid				
Ordinary shares of £0.02 each	25,062,842	23,079,146	501	461

A description of the movements in share capital in the year is given in note 20 of the consolidated financial statements.

7 Reserves

	Share premium £'000	Share-based payment reserve £'000	Profit and loss reserve £'000
Balance at 1 January 2014	24,050	746	(500)
Loss for the year	–	–	(885)
Reserve credit for equity-settled share-based payment	–	75	–
Premium on new share capital	4,230	–	–
Share issue costs	(229)	–	–
Change in year	4,001	75	(885)
Balance at 31 December 2014	**28,051**	**821**	**(1,385)**

8 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Loss for the year	(885)	(835)
Reserve credit for equity-settled share-based payment	75	92
Issue of new share capital	40	23
Premium on new share capital	4,001	1,799
Net change in shareholders' funds	3,231	1,079
Shareholders' funds at 1 January	24,757	23,678
Shareholders' funds at 31 December	27,988	24,757

NOTICE OF ANNUAL GENERAL MEETING

Ubisense Group plc

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

Notice is hereby given that the annual general meeting ("Meeting") of Ubisense Group plc (the "Company") is to be held at the Group Head Office at St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge, CB4 1DL on 24 April 2015 at 8.30 a.m.

You will be asked to consider and vote on the resolutions below. Resolutions 1, 2, 3, 4 and 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution.

Ordinary business

Report and accounts

1. THAT the Company's annual accounts for the financial year ended 31 December 2014, together with the Directors' report and Auditor's report on those accounts, be received and adopted.

Re-election of Directors

2. THAT Paul Taylor, who retires by rotation and offers himself for re-appointment by general meeting, be re-elected as a Director of the Company.
3. THAT Richard Green, who retires by rotation and offers himself for re-appointment by general meeting, be re-elected as a Director of the Company.

Re-appointment of auditors

4. THAT Grant Thornton UK LLP be reappointed as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company and that the Directors be authorised to agree the remuneration of the auditors.

Special business

Issue of ordinary shares

5. THAT the Directors be hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares and/or grant rights to subscribe for or to convert any security into shares ("Rights"):

a. up to an aggregate nominal value of £167,086 (being the nominal value of approximately one third of the issued share capital of the Company); and

b. up to an aggregate nominal value of £24,765 in connection with options granted in accordance with the Company's articles of association prior to the Company's admission to trading on the AIM Market of the London Stock Exchange,

such authorities to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make any offer(s) or enter into any agreement(s) which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

6. THAT subject to and conditional upon the passing of resolution number 5 above, the Directors be and are hereby generally authorised in accordance with Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company for cash as if Section 561(1) of the Act did not apply to any such allotment, provided that this authority shall be limited to:

a. the allotment of equity securities in connection with an offer by way of rights in favour of the holders of equity securities in proportion (as nearly as may be possible) to the respective number of ordinary shares of £0.02 each held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems in respect of overseas holders or otherwise;

b. the allotment of equity securities in connection with options granted in accordance with the Company's articles of association prior to the Company's admission to trading on the AIM Market of the London Stock Exchange up to an aggregate nominal value of £24,765;

c. the allotment of equity securities (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to a maximum aggregate nominal value of £75,189 (being the nominal value of approximately 15% of the issued share capital of the Company),

and this authority shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution save that the Company may make any offer(s) or enter into any agreement(s) before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot equity securities but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

By order of the Board

Robert Parker
Company Secretary
Ubisense Group plc
St. Andrew's House
St. Andrew's Road
Chesterton
Cambridge
CB4 1DL

16 March 2015

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Ubisense Group plc

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members:

   - At the time which is 48 hours prior to the Meeting; or,
   - If this Meeting is adjourned, at the time which is 48 hours prior to the adjourned Meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in note 1 above will result in the proxy appointments being invalid.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxies using hard-copy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - Completed and signed;
   - Sent or delivered to The Company Secretary, Ubisense Group plc, St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge CB4 1DL or emailed to The Company Secretary at companysecretary@ubisense.net; and
   - Received by The Company Secretary no later than 48 hours prior to the time set for the start of the Meeting.

   CREST members should use the CREST electronic proxy appointment service and refer to note 8 below in relation to the submission of a proxy appointment via CREST.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

   In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned Meeting together (except in the case of appointments made electronically) with any authority (or notarially certified copy of such authority) under which it is signed.

Appointment of proxies through CREST

8. As an alternative to completing the hard-copy proxy form, CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: 3RA50) by not later than 48 hours prior to the time appointed for the Meeting or adjourned Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact The Company Secretary, Ubisense Group plc, St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge CB4 1DL.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to The Company Secretary, Ubisense Group plc, St. Andrew's House, St. Andrew's Road, Chesterton, Cambridge CB4 1DL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by The Company Secretary not less than 48 hours before the time for holding the Meeting or adjourned Meeting.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

13. As at 5.00 p.m. on 16 March 2015, the Company's issued share capital comprised 25,062,842 ordinary shares of £0.02 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on 16 March 2015 is 25,062,842.

Communication

14. Except as provided above, members who have general queries about the Meeting should use the following means of communication:

    - Calling The Company Secretary on +44 (0) 1223 535 170; or
    - Calling our shareholder helpline on 0870 707 1131 or +44 (0) 870 707 1131 from outside of the UK. Lines are open Monday to Friday, 9.00 a.m. to 5.00 p.m.; or
    - Emailing The Company Secretary at companysecretary@ubisense.net

    You may not use any electronic address provided either:

    - In this notice of annual general meeting; or
    - Any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

ADVISORS

Registered Office Ubisense Group Plc
St. Andrew's House, St. Andrew's Road
Chesterton, Cambridge CB4 1DL, UK
Tel: +44 (0)1223 535 170
Fax: +44 (0)1223 535 167
www.ubisense.net

Registered number
05589712

Company Secretary
Robert Parker

Nominated Advisors and Brokers
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square, London
EC4M 7LT, UK

Banker
HSBC Bank plc
Vitrum, St John's Innovation Park
Cowley Road, Cambridge CB4 0WS, UK

Lawyers to the Company
Mills & Reeve LLP
Botanic House 98-100 Hills Road
Cambridge CB2 1PH, UK

Auditor
Grant Thornton UK LLP
Cambridge Office
101 Cambridge Science Park, Milton Road
Cambridge CB4 0FY, UK

Registrar
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ, UK

Investor relations
Montfort Communications
2nd Floor Berkeley Square House
Berkeley Square, London W1J 6BD, UK

SHAREHOLDER INFORMATION

Shareholder enquiries
Any shareholder with enquiries should, in the first instance, contact our Registrars, Computershare, using the address provided in the list of Advisors.

Share price information
London Stock Exchange Alternative Investment Market (AIM) symbol: UBI

Information on the Company's share price is available on the Ubisense Investor Relations website at:
www.ubisense.net/en/investor-relations/

Investor relations
St. Andrew's House, St. Andrew's Road
Chesterton, Cambridge CB4 1DL, UK

Email: corporate@ubisense.net
Tel: + 44 (0) 1223 535 170

Financial calendar

Financial year end	31 December 2014
Full year results announced	16 March 2015
Annual General Meeting	24 April 2015

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Ubisense