

3 October 2011

**Sabien Technology Group Plc**  
**(“Sabien”, the “Company” or the “Group”)**

**Preliminary results for the year to 30 June 2011**

*Sabien (AIM: SNT) announces its preliminary results for the year ended 30 June 2011*

***Sabien Technology Group Plc, the manufacturer and supplier of M2G, a boiler energy efficiency technology, is pleased to report its preliminary results for the year to 30 June 2011.***

**Sabien Technology Group highlights 2011**

- ▣ Sales for the year up 114% to £2.09m from £0.97m
- ▣ Post-tax profits of £0.23m compared with a loss after tax of £0.34m in 2010
- ▣ Notable contract wins in the 12 months included: London Borough of Greenwich; Monteray: *British Telecom*; Norland/Integral: *Lloyds Banking Group*; Corrigenda: *Hampshire County Council*; Cofely: *Royal Botanical Gardens Kew*; Lincolnshire County Council
- ▣ Sales from indirect partners increased by 148% to £0.38m from £0.15m in 2010 representing 18% of total sales revenue
- ▣ Greffen Systems, Inc.: Sabien’s US Distributor placed orders for £0.3m
- ▣ Net cash balance at 30 June 2011 was £1.03m (2010: £0.96m)
- ▣ Sales pipeline of £7.7m at 30 June 2011 up from £3.5m at 30 June 2010
- ▣ In May 2011, Sabien was awarded the Jones Lang LaSalle’s inaugural Supplier of Distinction Award for Energy & Sustainability
- ▣ Appointment of Dr Martin Blake to the Board

**Highlights since the year end**

- ▣ Sales orders received since 1 July 2011 total £0.8m, an increase of 38% over the same period last year
- ▣ Growing sales pipeline currently standing at c.£8.3m which includes over 100 blue chip private and public sector multi-site organisations

**For further information:**

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## **Chairman & Chief Executive Officer's Report**

We are pleased to report on the results for Sabien Technology Group Plc ("Sabien", "the Company" or "the Group") for the year ended 30 June 2011.

### **Introduction**

For the period under review and subsequent to it, Sabien has continued to make significant progress in delivering new sales, developing its sales pipeline and establishing a reputation as a proven and trusted green technology provider in the UK.

### **History and market development**

Sabien was set up in 2004 to commercialise M2G, a boiler energy efficiency technology, which reduces gas and oil consumption in commercial boilers. In May 2006, Sabien acquired the Intellectual Property and all commercial rights to M2G and floated on AIM in December 2006. In March 2009, Sabien obtained Underwriters Laboratories (UL) certification which enabled M2G to be sold in the USA.

The demand for energy efficient products is still growing, driven increasingly by regulation as well as the need to cut the ever increasing cost of fuels. In the UK, the government's CRC Energy Efficiency Scheme requires larger companies to purchase CO<sub>2</sub> credits according to how much CO<sub>2</sub> they produce and is designed to encourage a proactive approach to reducing CO<sub>2</sub> emissions.

We are seeing ever increasing levels of interest in our M2G boiler controller and our pipeline of new business opportunities is very encouraging. We are currently in negotiations with a number of potential customers for multiple units across multiple sites and are hopeful that these sales can be secured in the second half of the current year.

### **Financial results**

Turnover in the year was £2.09m compared with £0.97m for the same period last year. The profit after taxation was £0.23m compared with a loss of £0.34m in the same period in 2010.

At 30 June 2011, cash and cash deposits amounted to £1.03m (2010: £0.97m).

### **Overview**

We are pleased with our performance this year and with the move to profitability. Our pipeline continues to grow significantly and we believe the continued uplift in both public and private sector contract awards will sustain our progress towards ever-increasing profitability. The progress is in large part, due to the successful conversion of our P10 M2G pilots, which we have carried out over the last few years, into commercial orders and in many cases further repeat orders. Our progress has also been augmented by the broadening of our UK Alliance partner programme which again has proved very successful with orders being placed throughout the year.

The opportunities for Sabien continue to be very positive with the implementation of the CRC Energy Efficiency Scheme (formerly the Carbon Reduction Commitment) in the UK, which became effective on 1 April 2010 and which, following the government's Comprehensive Spending Review, has now become a direct tax on energy usage in the country's largest companies. Most importantly, the scheme is no longer revenue neutral to the Exchequer. Money paid for allowances will not now be recycled to participants and the league table on which repayments were to be based now has a purely reputational impact. A recent commentary by KPMG states that the scrapping of the revenue recycling could easily represent a five to ten fold increase in costs for most participants. The announced changes are likely to make all energy efficiency payback periods shorter which in turn makes Sabien's M2G an even more attractive proposition.

The focus on reducing energy costs and ever increasing commitments to reduce carbon emissions are driving the interest and demand for our products from public and private sector organisations. Sabien's M2G product is specifically aimed at providing a proven effective solution to the CRC problem for organisations which are affected by the CRC legislation. M2G reduces the cost of running gas and oil fired boilers and the associated carbon emissions by up to 35%.

During the year, 54% of Sabien's revenue came from the public sector and this is expected to grow in the future despite the pressures being put on public sector finances. The public sector financing review is focused on driving efficiencies and reducing operating costs to include energy consumption and CO<sub>2</sub> emissions. Sabien's M2G offers a quick and cost effective solution to their energy efficiency problems and public sector organisations have benefited from Salix funding which offers them a route to finance the capital cost of their energy efficiency programmes. Our public sector M2G sales pipeline consists of a number of entities which have already received Salix funding approval.

In the Group's interim report, we said that there had been strong customer demand with a significant year on year increase in sales quotations and steadily increasing sales orders. As already announced, a number of significant orders have been received since the year end. Many of these orders are for initial phases of roll-out which are being installed and we expect to receive further significant orders from these customers for further phases of roll-out both in the current financial year and beyond.

## **Strategy**

We continued to make good progress on our strategy during the year which is to become a supplier of choice for private and public sector organisations that are faced with delivering on their energy and carbon reduction strategies.

## **Project 10**

We continue to offer Project 10 (P10) pilot schemes funded by the client and are scheduled to commence trials for the current heating season with many well-known blue-chip private and large public UK multi-site organisations.

P10 is a scheme whereby we agree to install M2Gs at up to 3 sites in each of 10 large prospective customers and to monitor the results for periods from 1 to 3 months. At the conclusion of the pilot period, a report is produced for each customer in which the results of the pilot are presented along with an estimate of the likely

levels of savings in energy and CO<sub>2</sub> emissions were M2G to be deployed over the customer's estate.

The successful conversion of our P10 M2G pilots into orders and subsequent repeat orders has proven to be the driving catalyst behind our move to profitability during this financial year.

### **Operational progress**

We continue to develop and strengthen our technical expertise in the energy efficiency market and to help our clients reduce energy costs and carbon emissions.

During the period under review Sabien continued to develop its "Alliance Programme" with £0.38m of total sales for the period under review coming from indirect sales channels, a 148% increase compared to the previous year. Orders were received from a number of leading UK Utility and Facility Management Companies including Cofely, E.ON, EDF Energy, Carillion, RWE, Norland Group, MITIE Group, Interserve, Scottish and Southern Electric Contracting, Babcock and EC Harris.

In May 2011, Sabien was awarded the Jones Lang LaSalle's inaugural Supplier of Distinction Award for Energy & Sustainability. The award recognises Sabien's dedication to delivering the highest calibre of services, value and innovation to Jones Lang LaSalle's clients. Sabien received the award following the installation of its patented M2G boiler load optimisation control at a number of Jones Lang LaSalle's client sites, delivering significant gas savings and reduced carbon emissions.

Greffen Systems Inc., Sabien's non-exclusive distributor in the United States, has seen strong growth over the past financial year. Significant developments include:

- ▣ Validation of M2G by Texas A&M University Energy Systems Laboratory (a leading university) and Southern California Gas and Electric (one of the largest utilities in the US)
- ▣ The placing of orders totalling £0.3m with Sabien during the course of the financial year 2010/2011
- ▣ Selection by The Cooperative Purchasing Network ("TCPN") as the winner of a national bid process for boiler sequencing controllers. TCPN is a national governmental purchasing cooperative able to leverage the purchasing potential of governmental entities in all 50 states. TCPN competitively bids and awards contracts to national vendors in accordance with purchasing procedures mandated by state procurement laws and regulations. TCPN contracts are available for use by, and benefit, public and private schools, colleges and universities, cities, counties, non-profits and all governmental entities.

We continue to participate in trade shows and exhibitions and have generated a large volume of sales prospects from these. Sabien's name is increasingly being recognised in the sector of energy efficiency and the number of prospects that contact us directly as a result of client referrals and our marketing efforts has increased materially.

## **Future developments**

The Company has started early stage research in developing an alternative application using its core M2G technology. This research is at too early a stage to determine whether it will be successful but customers have already expressed interest in the product and the Company will continue to monitor progress closely over the coming months.

The Company continues to promote its M2G technology via its network of alliance partners and through its in-house business development team. Interest levels in M2G from our alliance partners' clients is at an all-time high and with new partners joining the programme, sales of M2G via this channel this year are expected to grow significantly.

## **Board, management and people**

We are delighted to welcome Dr Martin Blake to the Board. Martin led the social responsibility and sustainability teams at Royal Mail Group plc and has a deep knowledge of the energy efficiency industry. He has recently been named as one of the top 100 Global Sustain Ability Leaders in 2011 by the Sustain Ability Showcase Asia and ABC Carbon.

We would like to thank our shareholders for their continued support, our fellow directors and all the Company employees whose efforts have contributed to the progress of the Company over the last twelve months. Their efforts have been crucial to our achievements.

## **Outlook**

Looking ahead, our Company has never been stronger or better positioned to capitalise on the increasing demand for our proven energy efficiency technologies.

The Group has made a good start to the new financial year and since 1 July 2011 has received purchase orders totalling £0.8m, an increase of 38% over the same period last year, all of which will be recognised as revenue in the first half of the current financial year.

The size of our business pipeline at c.£8.3m is at a record level. We have a high quality customer base which includes many local authorities and blue-chip private and large public companies. These facts plus the level of orders received, which represent to a large extent initial phases of roll-out and which should generate significant future revenues, along with a well-controlled cost base, all enable the Directors to feel very confident about the future.

**Dr Clive Morton OBE**  
Chairman

**Alan O'Brien**  
Chief Executive Officer

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 £'000	2010 £'000
<b>Revenue</b>		<b>2,087</b>	<b>973</b>
Cost of sales		(549)	(160)
<b>Gross profit</b>		<b>1,538</b>	<b>813</b>
Administrative expenses		(1,354)	(1,322)
<b>Operating profit/(loss)</b>		<b>184</b>	<b>(509)</b>
Investment revenues	5	10	5
Other gains and losses		-	173
Finance costs		-	(13)
<b>Profit/(loss) before tax</b>	4	<b>194</b>	<b>(344)</b>
Tax	6	40	-
<b>Profit/(loss) for the year attributable to equity holders of the parent company</b>		<b>234</b>	<b>(344)</b>
<b>Other comprehensive income</b>			
Transfer from Shares to be issued		-	(18)
Transfer to Retained earnings		-	18
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>234</b>	<b>(344)</b>
Earnings/(loss) per share in pence – basic	7	0.7	(1.2)
Earnings/(loss) per share in pence – diluted	7	0.7	(1.2)

# Consolidated and Company Balance Sheet

As at 30 June 2011

Company Reg No: 05568060

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
<b>Non-current assets</b>				
Property, plant and equipment	32	16	-	-
Intangible assets	697	744	-	-
Investment in subsidiaries	-	-	587	216
<b>Total non-current assets</b>	<b>729</b>	<b>760</b>	<b>587</b>	<b>216</b>
<b>Current assets</b>				
Inventories	147	128	-	-
Trade and other receivables	471	295	522	547
Cash and cash equivalents	1,033	965	786	903
<b>Total current assets</b>	<b>1,651</b>	<b>1,388</b>	<b>1,308</b>	<b>1,450</b>
<b>Total assets</b>	<b>2,380</b>	<b>2,148</b>	<b>1,895</b>	<b>1,666</b>
<b>Current liabilities</b>				
Trade and other payables	188	220	27	84
<b>Total current liabilities</b>	<b>188</b>	<b>220</b>	<b>27</b>	<b>84</b>
<b>Total liabilities</b>	<b>188</b>	<b>220</b>	<b>27</b>	<b>84</b>
<b>Net Assets</b>	<b>2,192</b>	<b>1,928</b>	<b>1,868</b>	<b>1,582</b>
<b>EQUITY</b>				
Equity attributable to equity holders of the parent				
Share capital	1,574	1,574	1,574	1,574
Other reserves	2,797	2,767	3,568	3,538
Retained (losses)/earnings	(2,179)	(2,413)	(3,274)	(3,530)
<b>Total equity</b>	<b>2,192</b>	<b>1,928</b>	<b>1,868</b>	<b>1,582</b>

# Consolidated and Company Cash Flow Statement

For the year ended 30 June 2011

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before taxation	194	(344)	216	(249)
Adjustments for:				
Depreciation and amortisation	61	64	-	-
Exceptional gains	-	(247)	-	(247)
(Decrease)/increase in impairment provision	-	74	(331)	328
Finance income	(10)	(5)	(28)	(20)
Finance expense	-	13	-	15
Transfers to equity reserves	30	18	30	18
(Increase)/decrease in trade and other receivables	(136)	(133)	24	(414)
(Increase)/decrease in inventories	(19)	9	-	-
(Decrease)/increase in trade and other payables	29	33	5	(9)
<b>Cash generated from/(used in) operations</b>	<b>149</b>	<b>(518)</b>	<b>(84)</b>	<b>(580)</b>
Corporation taxes recovered/(paid)	-	-	-	-
<b>Net cash inflow/(outflow)/ from operating activities</b>	<b>149</b>	<b>(518)</b>	<b>(84)</b>	<b>(580)</b>
<b>Cash flows from investing activities</b>				
Payment of deferred consideration in respect of acquisition of intellectual property	(61)	-	(61)	-
Purchase of property, plant and equipment	(30)	-	-	-
Finance income	10	5	28	20
<b>Net cash (used in)/generated by investing activities</b>	<b>(81)</b>	<b>5</b>	<b>(33)</b>	<b>20</b>
<b>Cash flows from financing activities</b>				
Proceeds from share placement	-	1,399	-	1,399
Repayment of long term borrowings	-	(840)	-	(840)
Proceeds from long-term borrowings	-	400	-	400
Finance expense	-	(6)	-	(6)
<b>Net cash from financing activities</b>	<b>-</b>	<b>953</b>	<b>-</b>	<b>953</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>68</b>	<b>440</b>	<b>(117)</b>	<b>393</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>965</b>	<b>525</b>	<b>903</b>	<b>510</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,033</b>	<b>965</b>	<b>786</b>	<b>903</b>

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2011

## 1. Basis of Preparation:

The results for the year are preliminary and unaudited.

While the financial information included in this interim announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The full consolidation financial statements of the Company will be prepared in accordance with IFRS, International Accounting Standards and their interpretations issued or adopted by the International Accounting Standards Board as adopted for use in the European Union.

The directors believe that the Group is a going concern and have accordingly prepared these consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis and are presented in £'000 unless otherwise stated.

## 2. Basis of consolidation:

The consolidated balance sheet and statement of comprehensive income includes the financial statements of the Company and its subsidiaries at 30 June 2011. The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business combinations involving entities under common control fall outside the scope of IFRS and are consolidated using merger accounting under which the group incorporates the assets and liabilities of the entities at the amounts recorded in the books of the entities. No goodwill arises on consolidation and any difference arising from the use of merger accounting is included in equity as a merger reserve.

The consolidated financial information incorporates the combined companies' results as if the companies had always been combined.

Except as noted above, the financial information of subsidiaries is included in the consolidated financial statements using the acquisition method of accounting. On the date of acquisition the assets and liabilities of the relevant subsidiaries are measured at their fair values.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

## 3. Segmental reporting

Based on risks and returns, the Directors consider that the primary reporting business format is by business segment which is currently just the supply of energy efficiency products, as this forms the basis of internal reports that are regularly reviewed by the company's chief operating decision maker in order to allocate resources to the segment and assess its performance. Therefore the disclosures for the primary segment have already been given in these financial statements. The secondary reporting format is by geographical analysis by destination. Non-UK revenues amounted to 10% of the total and are analysed as follows:

Geographical information	<b>Sales revenue £'000</b>	<b>% of total revenue</b>
UK	1,875	90%
USA	176	8%
Other	36	2%
Total	2,087	

During the period, sales to the group's largest customers were as follows:

	<b>Sales revenue £'000</b>	<b>% of total revenue</b>
Customer 1	457	22%
Customer 2	264	13%
Customer 3	231	11%

#### **4. Profit/(loss) before tax**

The profit/(loss) before tax is stated after charging/(crediting):

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Depreciation of owned tangible fixed assets	14	18
Amortisation of intangible assets	47	46
Operating lease rentals – land and buildings	24	18
Auditors' remuneration	28	23

#### **5. Investment revenues**

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
<b>Interest receivable</b>	<b>10</b>	<b>5</b>

#### **6. Corporation tax**

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Current tax	-	-
Deferred tax recovery	40	-
Total tax recovery for the year	<b>40</b>	-

The tax charge for the year can be reconciled to the profit/(loss) per the income statement as follows:

Profit/(loss) before tax	194	(344)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20.75% (2010: 21%)	40	(72)
Expenses not deductible for tax purposes	1	2
Capital allowances in excess of depreciation	(3)	3
Other short term timing differences	24	57
Unrelieved tax losses	5	10
Tax losses utilised	(67)	-
Current tax	-	-

A deferred tax asset has been recognised in respect of £194k of available losses brought forward (2010: nil) as the Directors believe that the Group will continue to be profitable in the future but have limited their estimate to the same level of profit as shown in the Consolidated Statement of Comprehensive Income in view of uncertainty as to when future profits will arise. The aggregate amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the balance sheet is estimated at £1,704k (2010: £2,273k) which at the standard tax rate would equate to £354k (2010: £477k).

## 7. Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to equity holders of £234k (2010: £344k loss) and a weighted average number of shares in issue during the period of 31,586,511 (2010: 29,847,844). At the year end, warrants for 1,518,356 shares and options over 2,045,670 shares were in issue. The warrants have been taken into account in calculating diluted earnings per share but the options are antidilutive and have therefore been excluded from the calculation.

## 8. Share capital

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
<b>Allotted, called up and fully paid</b>		
31,486,511 Ordinary shares of 5p each (2010 – 31,486,511)	<b>1,574</b>	<b>1,574</b>

### Share warrants

On 7 August 2009, the company granted 2,952,279 warrants to TVI 2 Limited, exercisable at 6.6p each over a period of five years. Subsequent to the repayment of the loan to TVI 2 Limited in October 2009, the number of warrants granted was reduced to 1,518,356 and they are now exercisable at a price of 6.42p each. These warrants represent 4.6% of the enlarged share capital including Ordinary shares potentially to be issued under the Warrant instrument.

The Group recognised an exceptional charge of £38k arising from these warrants in the statement of comprehensive income for the year ended 30 June 2010 and this was credited to the Shares to be Issued Reserve in the balance sheet.