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Sabien Technology Group PLC  
01 October 2008

1 October 2008

**Sabien Technology Group Plc**  
("Sabien", "the Company" or "the Group")

**Unaudited Preliminary Results**  
for the 12 months ended 30th June 2008

*Sabien Technology Group (AIM: SNT) is focused on the manufacture and sale of M2G and M3G energy saving devices which are proven to reduce energy consumption on commercial boilers and air conditioning units by up to 35%.*

**Key Points:**

- Contracts signed with Deutsche Bank, O2, DEFRA, the Institution of Civil Engineers and the Institution of Mechanical Engineers.
- £395k revenue from Royal Bank of Scotland Group.
- Successful completion of Project 10 pilots and strong sales pipeline generated.
- Distribution Agreement signed and first installations of M2G in USA.
- Cash of £1.3 million.
- Arbuthnot Securities Limited appointed as Nominated Adviser and broker to the Company in January.

**Alan O'Brien, Chief Executive Officer of Sabien, said:**

"The success of the Project 10 pilots has accelerated the sales pipeline and provided further validation of our M2G technology. The current sales pipeline is looking very promising and should start to deliver significant revenues during 2008 - 2009, with the AVIVA order worth £188k being the first.

"Further results of this initiative are beginning to show. We are currently in advanced negotiations with other Project 10 participants and are confident of receiving further substantial orders for M2G over the coming financial year. The revenue from these orders will be recognised as and when installation takes place and is therefore likely to affect both this and next year's results. The other organisations that conducted pilots are a mixture of private and public sector names including universities, financial, telecoms and healthcare companies.



England, the Institution of Mechanical Engineers, the Institution of Civil Engineers, Investec Bank, an NHS Trust, O2, Deutsche Bank and DEFRA. Additionally, Virgin Media has recently placed an initial order for £89k with the Company.

During the year, the Company completed the pilot of its M2G product with 10 UK organisations with considerable property portfolios. The results of these pilots have been particularly pleasing with an order received from AVIVA since the year end for £188k and the creation of a strong sales pipeline that provides an exciting opportunity for the Company.

Importantly the success of these pilots further validates the M2G and demonstrates to these blue-chip companies the potential of meeting the demands of increasing financial and legislative pressures that public and private sector organisations are facing, and as a result the reputation of the Company and its technology will grow.

Our M3G has performed well. With the cooling season over, organisations will now be reviewing the extent of their air conditioning costs and we fully expect to see increased interest in our M3G product.

## **Financial Results**

Turnover in the year was £681k compared with £632k for the same period last year. The loss after taxation was £980k compared with £745k in the same period in 2007, reflecting the increase in investment in key personnel that we have made.

At 30 June 2008, cash and cash deposits amounted to £1.3m (2007: £2.1m). Strict cost controls have been introduced into the business and this will remain a top priority with the continued growth of the Company.

## **Outlook**

Sabien's strategy is to become the supplier of choice for private and public sector organisations that are faced with delivering on their energy and carbon strategies. The Company is continuing with this objective of delivering its commercially viable energy-efficiency technology, both in the UK and overseas, to a wider base of blue-chip clients.

The Company has invested prudently in its brand and its reputation has grown significantly over the last 12 months providing a foundation for it to become recognised as a provider of leading energy-efficiency technology for multi-site organisations in both the public and private sectors.

## **Board, Management and People**

As mentioned last year, Jonathan Hill stepped down from the Board in July 2007 and Karl Monaghan joined the Board in September 2007 as a non-executive. Following Karl's appointment, Sabien quickly benefited from his business experience and we look forward to his continued contribution.

To ensure the Company has the right team in place, experienced sales and operations personnel were recruited to ensure the on-going high levels of service we provide to our customers. These positions are now fully integrated into the business and the Company has the right structure and vision to ensure continued growth.

The Board remains confident that Sabien will experience strong growth by meeting the demands that both public and private organisations are now facing to reduce carbon emissions.

### **Dr Clive Morton OBE**

Chairman

1 October 2008

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

### **Sabien Technology Group Highlights 2008**

- Project 10 implemented
- £395k revenue from Royal Bank of Scotland Group
- M2G orders placed by: O2, Telford College, Workspace, Investec Bank, Ford, Institution of Mechanical Engineers, Institution of Civil Engineers, Deutsche Bank.
- Appointment of distributor in the USA

### **Highlights since the year end**

- £188k order for M2G units received from Aviva
- Other M2G orders placed by University of Derby, Virgin Media
- Appointed by Serco as the preferred partner for energy efficiency technology for boilers.
- The Company is currently undergoing the process of attaining Underwriters Laboratories ("UL") approval for its M2G product in the US. It is expected that this will be achieved within the current financial year.

## **Introduction**

The year to 30 June 2008 was one of consolidation for the Group. Since flotation in December 2006 the implementation of our market strategy has needed to be tempered with that of the industry's progress towards energy efficiency. Over the last 18 months our clients and Project 10 participants have been focusing their attention on analysis, auditing and baselining their energy use to establish the areas in which to implement energy efficiency initiatives.

Many of our clients are seeing their energy contract costs increasing from between 60% to 120% at the point of renewal throughout 2008 and 2009. The 2009 - 2011 wholesale energy market forecasts price fluctuations of between £0.76 and £0.71 p/therm. There are no signs of energy prices reducing to pre 2007/2008 levels when the price was on average £0.41 p/therm.

Increasing legislation, significant energy price increases and commitments to reduce carbon emissions have created the need for organisations to implement robust energy reduction strategies which can be achieved by using the technologies that Sabien can provide.

## **Our strategy**

Our strategy continues to focus on large multi-site organisations that manage their own energy spend. While we do not actively market our technology to smaller entities, we do evaluate each sales enquiry and provide an indication of the likely payback periods. This has recently been enhanced by our online calculator on our website ([www.sabien-tech.co.uk](http://www.sabien-tech.co.uk)) where prospects can enter their energy spend and get an indication of the likely reductions in CO<sub>2</sub> and energy consumption that can be achieved by installing M2G.

During the year, further revenues of £395k from Royal Bank of Scotland Group have been recognised as we continue the rollout of M2G across their estate. Despite this continuing success with Royal Bank of Scotland Group, which has placed orders to date worth £1.3m and our recent contract win with AVIVA and Virgin Media, other major prospects are still requiring validation of the M2G technology via a pilot as part of their capital investment process.

## **Project 10**

To help mitigate against delays in winning orders and to assist potential customers identify where they could make substantial energy savings with quick payback, we set in place our well publicised Project 10 initiative in which we agreed to install M2Gs at up to 3 sites in each of our 10 large prospective customers and to monitor the results obtained from the M2Gs over the heating season and for periods of up to 3 months. At the end of the

pilot period, a report is produced for each customer in which are presented the results of the pilot and the likely levels of savings in energy and CO2 emission savings that could be achieved if M2G was deployed over the clients' estate of buildings.

AVIVA was one of the companies that participated in Project 10 this last heating season and it's a strong endorsement for Sabien that the savings M2G delivered in terms of energy consumed, CO2 emission reduction and financial payback of less than 2 years met with the client's investment criteria. Subsequently, it has placed an initial order with Sabien for M2G worth £188k. The other organisations that conducted pilots are a mixture of private and public sector names including universities, financial, telecoms and healthcare companies.

Virgin Media, another leading brand and the UK's leading entertainment and communications company, placed an initial order worth £89k to install M2G technology in a number of its offices in the UK. In 2007, Virgin Media began work with the Carbon Trust on their 'Cut the Carbon' programme to define the company's carbon footprint accurately and to investigate ways to reduce it. On the back of this analysis, an initial order value has been placed with Sabien for its M2G technology with further orders expected over the current financial year.

Further results of this initiative are beginning to show and we are currently in advanced negotiations with other Project 10 participants and are confident of receiving further substantial orders for M2G over the coming financial year. The revenue from these orders will be recognised as and when installation takes place and is therefore likely to affect both this and next year's results.

We are repeating the Project 10 pilot exercise this coming winter heating season. We are already nearly fully subscribed with a number of well-known UK multi-site organisation participants. As a result of the excellent validation results from our previous Project 10 initiative, the next Project 10 pilot periods will run for one month. We hope to be able to announce orders resulting from these pilots by the beginning of our second half in January 2009.

### **Operational progress**

Since flotation, we have strengthened key functions within the Group's organisation particularly in the areas of key technical support, account management and marketing.

We have developed relationships with a number of leading UK Facility Management companies that are now specifying our technology as part of their carbon reduction strategy offering to their clients. I am pleased to announce that Serco has appointed Sabien as its preferred partner in the provision of energy efficiency technology for commercial boilers.

Serco is well placed as a leading provider of Facilities Management services to deliver energy efficiency reductions to its clients and it has developed and is delivering a comprehensive range of 'sustainable solutions' that can be tailored to clients' specific requirements. Key elements include operational consultancy, waste management, energy management (all aspects), management systems and legal compliance.

Additionally, we have signed a US distribution agreement with Greffen Systems, ([www.greffensys.com](http://www.greffensys.com)) an Atlanta based company, distributing M2G and M3G throughout North America. A non-exclusive distribution agreement between Sabien Technology and Greffen Systems for the North American territory was signed in 2008.

Greffen System's strategy is to partner with leading facilities service managers with large pre-existing client bases to expedite the roll out of Sabien Technology's product suite in North America. In addition, Greffen Systems is in discussions with the US Government with respect to opportunities with targeted public sector entities.

Greffen Systems currently has 5 pilot installations running across 3 different regions in the USA, with facilities service managers, commercial real estate companies and regional school boards. To date these pilots have demonstrated savings in excess of 20% during the summer months outside of the heating season.

Sabien is currently undergoing the process of attaining Underwriters Laboratories ("UL") approval for its M2G product to enable distribution in the US. It is expected that UL approval will be achieved within this financial year.

### **Team Development**

I have been particularly delighted with the calibre of technical people we have been able to attract to help lead our Project 10 pilot validation programmes and furthering development of our technology product suite.

### **Outlook**

I am pleased with the progress the company has made over the past 12 months. A year ago I reported that "we had the right team in place and a solid financial structure"; today, I'm glad to say that both statements remain true.

This last year presented us with challenges not uncommon to other technology companies operating in our space, i.e. validation of savings and a proven reputation for delivering projects. These are the two deciding factors

when clients are considering deployment of energy efficient technologies and I am confident that we achieved both.

This is evident from the orders placed by our biggest client, Royal Bank of Scotland Group, the recent contract wins with Aviva and Virgin and by our Project 10 pilot initiative which has demonstrated to clients the level of savings that can be achieved by deploying our technology. I am confident Project 10 will lead to significant orders over the course of the current financial year. Added to this the volatile price of gas and oil along with existing and incoming government environment legislation and I believe Sabien is now, more than ever, primed to become the supplier of choice for energy efficiency solutions.

Finally, over the last 12 months my team has done a fantastic job. I extend a big thank you for everyone's valuable contribution. Our work is strongly driven by total client management - our customers appreciate this and it attracts new ones. During the year, we implemented key step changes and large new initiatives that turned out very well. This last year has taught us what our customer's value and what they expect from a partner that aspires to be world class. We are well positioned for 2009 and, thanks to our leading position, we stand on a solid base from which we can build a successful business and meet the growing demands from public and private organisations.

**Alan O'Brien**

Chief Executive Officer

1 October 2008

**Consolidated Income Statement**

**For the year ended 30 June 2008**

	Notes	2008 £'000	2007 £'000
<b>Revenue</b>		<b>681</b>	<b>632</b>
Cost of sales		(164)	(147)
Gross profit		517	485
Other income	4	102	69
Distribution costs		(211)	(52)
Administrative expenses		(1,233)	(1,082)
Finance costs	5	(155)	(167)
Loss before tax	3	(980)	(747)
Corporation tax	6	-	2
<b>Loss for the year attributable to equity holders of the parent company</b>		<b>(980)</b>	<b>(745)</b>
Loss per share in pence - basic and diluted	7	(3.7)	(2.8)

## Consolidated and Company Balance Sheet

### As at 30 June 2008

		Group		Company	
	Notes	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment		47	47	-	-
Intangible assets	8	1,028	2,511	-	-
Investment in subsidiaries	9	-	-	1,024	2,385
<b>Total non-current assets</b>		<b>1,075</b>	<b>2,558</b>	<b>1,024</b>	<b>2,385</b>
<b>Current assets</b>					
Inventories		121	71	-	-
Trade receivables		151	28	-	-
Other current assets		58	121	256	254
Cash and cash equivalents		1,274	2,148	1,264	2,111
<b>Total current assets</b>		<b>1,604</b>	<b>2,368</b>	<b>1,520</b>	<b>2,365</b>
<b>Current liabilities</b>					
Trade and other payables		24	45	-	5
Short term provisions		135	177	24	41
<b>Total current liabilities</b>		<b>159</b>	<b>222</b>	<b>24</b>	<b>46</b>
<b>Non-current liabilities</b>					
Long-term borrowings	10	451	422	451	422
Long-term provisions	10	748	2,002	748	2,002
<b>Total non-current liabilities</b>		<b>1,199</b>	<b>2,424</b>	<b>1,199</b>	<b>2,424</b>
<b>Net Assets</b>		<b>1,321</b>	<b>2,280</b>	<b>1,321</b>	<b>2,280</b>
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to equity holders of the parent					
Share capital		1,329	1,329	1,329	1,329
Other reserves		1,622	1,601	2,392	2,371
Retained (losses)/earnings		(1,630)	(650)	(2,400)	(1,420)
<b>Total equity</b>		<b>1,321</b>	<b>2,280</b>	<b>1,321</b>	<b>2,280</b>

## Consolidated and Company Cash Flow Statement

### For the year ended 30 June 2008

	Group		Company	
	2008	2007	2008	2007

	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(980)	(747)	(980)	(1,420)
Adjustments for:				
Depreciation and amortisation	148	148	-	-
Impairment provision	1,350	-	2,261	1,228
Reduction in long term provisions	(1,350)	-	(1,350)	-
Finance income	(102)	(69)	(162)	(65)
Finance expense	155	167	155	150
Transfers to equity reserves	21	104	22	12
(Increase)/Decrease in trade and other receivables	(73)	(128)	(2)	20
Increase/(Decrease) in inventories	(50)	1	-	-
Increase/(Decrease) in trade and other payables	(63)	(166)	(23)	45
<b>Cash generated from operations</b>	<b>(944)</b>	<b>(690)</b>	<b>(79)</b>	<b>(30)</b>
Interest paid	-	-	-	-
Corporation taxes recovered/(paid)	13	-	-	-
<b>Net cash outflow/inflow from operating activities</b>	<b>(931)</b>	<b>(690)</b>	<b>(79)</b>	<b>(30)</b>
<b>Cash flows from investing activities</b>				
Investment in subsidiary company	-	-	(900)	(500)
Purchase of property, plant and equipment	(15)	(53)	-	-
Finance income	102	69	162	65
<b>Net cash generated by/(used in) investing activities</b>	<b>87</b>	<b>16</b>	<b>(738)</b>	<b>(435)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital	-	2,826	-	2,576
(Repayment of)/proceeds from long term borrowings	(30)	(80)	(30)	-
<b>Net cash from financing activities</b>	<b>(30)</b>	<b>2,746</b>	<b>(30)</b>	<b>2,576</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(874)</b>	<b>2,072</b>	<b>(847)</b>	<b>2,111</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,148</b>	<b>76</b>	<b>2,111</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,274</b>	<b>2,148</b>	<b>1,264</b>	<b>2,111</b>

# **Notes to the Consolidated Financial Statements for the year ended 30 June 2008**

## **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 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. No adjustments have been required to restate opening balances from UK GAAP to IFRS.

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

The preliminary announcement was approved by the Board of Directors on 30 September 2008.

## **2. Basis of Consolidation**

The consolidated balance sheet and income statement includes the financial statements of the Company and its subsidiaries at 30 June 2008. 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.

In respect of other business combinations fair values are attributed to the net assets acquired. Goodwill, which represents the difference between the purchase consideration and the fair value of the net assets acquired, is

capitalised and subject to an impairment review at least annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired.

### 3. Loss before tax

The loss before tax is stated after charging:

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Depreciation of owned tangible fixed assets	15	6
Amortisation of intangible assets	133	141
Operating lease rentals - land and buildings	28	20

### 4. Finance income

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Interest receivable	<b>102</b>	<b>69</b>

### 5. Finance expense

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Interest payable (see note 10)	<b>155</b>	<b>167</b>

### 6. Corporation tax

	Year ended 30 June 2008	Year ended 30 June 2007
	£'000	£'000
Current tax	-	(2)
Deferred tax	-	-
Total tax recovery for the year	-	<b>(2)</b>

The tax recovery for the year can be reconciled to the loss per the income statement as follows:

Loss before tax	(980)	(747)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2007: 19%)	(196)	(142)
Expenses not deductible for tax purposes	11	8
Capital allowances in excess of depreciation	-	(1)

Other short term timing differences	158	27
Unrelieved tax losses	27	110
Current tax recovery	-	(2)

No provision has been made to recognise a deferred tax asset as future profitability is uncertain.

## 7. Loss per share

The calculation of loss per share is based on the loss for the year attributable to equity holders of £980k (2007: £745k) and a weighted average number of shares in issue during the period of 26,570,511 (2007: 26,570,511). At the year end options over 1,660,544 shares were in issue. These options have not been taken into account in calculating loss per share as they are anti-dilutive.

## 8. Intangible Assets

<b>Group</b>	2008	2007
	£'000	£'000
<b>Intellectual property</b>		
<b>Cost</b>		
At 1 July	2,655	2,655
Adjustment to carrying value (note 10)	(1,350)	-
Additions	-	-
At 30 June	<b>1,305</b>	<b>2,655</b>
<b>Amortisation</b>		
At 1 July	(144)	(3)
Charge for the year	(133)	(141)
At 30 June	<b>(277)</b>	<b>(144)</b>
<b>Net Book Value</b>		
<b>At 30 June 2008</b>	<b>1,028</b>	<b>2,511</b>
<b>At 30 June 2007</b>	<b>2,511</b>	<b>2,652</b>

Intellectual property represents the rights to the M2G product acquired from the inventors. As a result of a review by the directors of the unit sales likely to arise over the next two years, the Provision for Deferred Consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see notes 9 & 10).

The remaining amortisation period for Intellectual Property is 18 years.

## 9. Investment in subsidiaries

Company	2008 £'000	2007 £'000
<b>Cost &amp; Net Book Value</b>		
At 1 July	3,613	-
Additions	900	3,613
Adjustment to carrying value (note 10)	(1,350)	-
At 30 June	3,163	3,613
<b>Impairment Provision</b>		
At 1 July	(1,228)	-
Provision for impairment	(911)	(1,228)
At 30 June	(2,139)	(1,228)
<b>At 30 June 2008</b>	<b>1,024</b>	<b>2,385</b>
<b>At 30 June 2007</b>	<b>2,385</b>	<b>-</b>

During the year, the Company converted £900k of debt owed by its subsidiary, Sabien Technology Limited, to equity. As a result of a review by the directors of the unit sales likely to arise over the next two years, the Provision for Deferred Consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see notes 8 & 10).

## 10. Long term liabilities

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Convertible loan notes	451	422	451	422
Deferred consideration	748	2,002	748	2,002
	<b>1,199</b>	<b>2,424</b>	<b>1,199</b>	<b>2,424</b>

The deferred consideration arises from the acquisition of Sabien Technology IP Limited (formerly Taran Systems Limited) in May 2006. The consideration is payable dependent upon unit sales for a period of four years from the date of acquisition and the amount recognised is based on the directors' assessment of unit sales likely in the four years following acquisition. The initial estimates of the deferred consideration liability will be revised as additional information becomes available with a corresponding adjustment being made to intellectual property.

As a result of a review by the directors of the unit sales likely to arise over the next two years, the provision for deferred consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see notes 8 & 9).

Deferred consideration has been discounted from the anticipated settlement date at the weighted average cost of capital prevailing at the acquisition date of 9.56%. The interest charged against income in the year amounted to £126k. Convertible loan notes have been discounted from the anticipated settlement date at the rate of 7%. The interest charged against income in the year amounted to £29k.

**11.** The financial information above for the years ended 30 June 2007 and 2008 in respect of which the accounting policies are consistent, does not constitute the statutory financial statements for those years. It is anticipated that the annual report and accounts for the year ended 30 June 2008 will be posted to shareholders on or around 11 October 2008. Copies will be available from the Company Secretary, Sabien Technology Group Plc, 34 Clarendon Road, Watford, Herts WD17 1JJ and on the Company's website, [www.sabien-tech.co.uk](http://www.sabien-tech.co.uk)

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