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Sabien Technology Group PLC
29 March 2017

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Sabien Technology Group Plc
("Sabien" or the "Group")

Unaudited Interim Results for the six months ended 31 December 2016

Sabien Technology Group plc (AIM: SNT), the manufacturer of the patented M2G energy saving devices, announces its unaudited interim results for the six month period ended 31 December 2016 (comparatives are shown for the same period in the previous year unless otherwise stated):

Highlights in the period

- Sales revenue £298k (2015/16 - £321k)
- Sales orders received £313k (2015/16: £268k)
- Loss before tax £826k (2015/16 - £983k loss)
- Net cash at the end of the period £240k (£868k at 30 June 2016)
- Sales pipeline of £9.7m
- 21 Pilots agreed with customers in UK, Italy and USA
- Overseas sales £166k (2015/16: £69k)

Chairman and Chief Executive Officer's Report

The company's strategy of offering free pilots (P35 and P40) of M2G has proven very popular with customers and this year so far is no exception with 21 pilots agreed with customers to date.

Free pilots are an effective tactic in engaging suitable large organisations who want to trial M2G and EndoTherm 'in the field'.

Clients who complete their pilot also receive an estate-wide commercial proposal and the company is in active and ongoing discussions with these clients. 60% of our pipeline value now consists of P35 customers.

Historically it has taken the company between 6 to 24 months to close contracts originated from paid pilots. The majority of our P35 pilots took place over the past 12 months so we would expect these opportunities to close after the current financial year end.

Finance

The Group's turnover in the period was £298k (2015/6 £321k) and there was a loss before tax of £826k compared to a loss of £983k in the same period last year. It is anticipated that sales revenue will again be back-end loaded this year.

Gross margin in the period at 74% was higher than in previous periods due to a higher proportion of overseas sales which generally do not require the Company to carry out installations. The decrease in operating loss is caused by a number of factors including the suspension of the routine development and upgrading of the Group's M2G product.

As at 31 December 2016, the Group's net cash reserves amounted to £240k compared to £868k at 30 June 2016 and £235k at 31 December 2015.

During the period, the Group raised £750k (gross) by the issue of 18,750,000 New Ordinary shares of 0.5p each at a price of 4p per share. Net proceeds after expenses amounted to £705k.

Current Trading

The sales pipeline currently stands at £9.7m. This pipeline includes both sales opportunities with an order date in the future and those where we have been asked to quote but where no order date has been indicated by the client. The size of the sales pipeline is one of our key performance indicators as it gives us an indication of the level of business that could be generated over the following 24 months. Sabien's experience is that it can take between 6 to 24 months for a customer enquiry to convert to a sales order. Management of this pipeline and its conversion to sales orders is a key performance indicator for the Group.

Outlook

In view of the slow conversion rate of the pipeline to confirmed sales orders, the Board anticipates that the trading performance for the financial year will be considerably below our expectations and that the Group will require a further fundraising to ensure that it can meet its liabilities over the coming months. A further announcement in relation to the fundraising will be made later today.

Bruce Gordon Alan
O'Brien
Chairman Chief
Executive Officer

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Sabien Technology Group Plc

Unaudited Condensed Group Statement of Comprehensive Income for the period ended 31 December 2016

	Notes	6 months to 31 December 2016 Unaudited £'000	6 months to 31 December 2015 Unaudited £'000	Year to 30 June 2016 Audited £'000
Revenue		298	321	879
Cost of Sales		(78)	(125)	(317)
Gross Profit		220	196	562
Administrative expenses		(1,047)	(1,180)	(2,184)
Operating Loss		**(827)**	**(984)**	**(1,622)**
Investment revenues		1	1	2
Loss before tax		(826)	(983)	(1,620)
Tax credit	3	30	-	-
Loss for the period attributable to equity holders of the parent company		**(796)**	**(983)**	**(1,620)**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive income for the period		**(796)**	**(983)**	**(1,620)**
Loss per share in pence - basic	4	(1.4)p	(2.3)p	(3.8)p
Loss per share in pence - diluted	4	(1.4)p	(2.3)p	(3.8)p

Sabien Technology Group Plc

Unaudited Condensed Group Statement of Financial Position as at 31 December 2016

	Notes	31 December 2016 Unaudited £'000	31 December 2015 Unaudited £'000	30 June 2016 Audited £'000
ASSETS				
Non-current assets				
Property, plant and equipment		90	154	121
Other intangible assets		437	485	461
Total non-current assets		527	639	582
Current assets				
Inventories		202	227	221
Trade and other receivables		98	160	209
Cash and cash equivalents		240	868	235
Total current assets		540	1,255	665

TOTAL ASSETS		**1,067**	**1,894**	**1,247**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables		127	227	216
Total current liabilities		127	227	216
EQUITY				
Equity attributable to equity holders of the parent				
Share capital	5	2,294	2,200	2,200
Other reserves		944	332	333
Retained earnings		(2,298)	(865)	(1,502)
Total equity		940	1,667	1,031
TOTAL EQUITY AND LIABILITIES		**1,067**	**1,894**	**1,247**

Sabien Technology Group Plc

Unaudited Condensed Group Cash Flow Statement for the period ended 31 December 2016

	6 months to 31 December 2016 Unaudited £'000	6 months to 31 December 2015 Unaudited £'000	Year to 30 June 2016 Audited £'000
Cash flows from operating activities			
Loss before taxation	(826)	(983)	(1,620)
Adjustments for:			
Depreciation and amortisation	56	51	111
Finance income	(1)	(1)	(2)
Transfers to equity reserves	1	1	3
Decrease in trade and other receivables	111	122	73
Decrease/(increase) in inventories	19	(20)	(14)
Decrease in trade and other payables	(90)	(54)	(65)
Cash used in operations	(730)	(884)	(1,514)
Corporation taxes recovered	30	-	-
Net cash outflow from operating activities	(700)	(884)	(1,514)
Cash flows from investing activities			
Proceeds from share issue	705	694	693
Purchase of property, plant and equipment and intangible assets	(1)	(114)	(117)
Finance income	1	1	2

Net cash inflow from investing activities	705	581	578
Net increase/(decrease) in cash and cash equivalents	5	(303)	(936)
Cash and cash equivalents at beginning of period	235	1,171	1,171
Cash and cash equivalents at end of period	240	868	235

Sabien Technology Group Plc

Unaudited Condensed Group Statement of Changes in Equity as at 31 December 2016

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2015	**1,650**	**22**	**165**	**118**	**1,955**
Loss for the period 1 July 2015 to 31 December 2015	-	-	-	(983)	(983)
Share issue	550	143	-	-	693
Employee share option scheme - value of services provided	-	-	2	-	2
Balance at 31 December 2015	**2,200**	**165**	**167**	**(865)**	**1,667**
Loss for the period 1 January 2016 to 30 June 2016	-	-	-	(637)	(637)
Employee share option scheme - value of services provided	-	-	1	-	1
Balance at 30 June 2016	**2,200**	**165**	**168**	**(1,502)**	**1,031**
Loss for the period 1 July 2016 to 31 December 2016	-	-	-	(796)	(796)
Share issue	94	611	-	-	705
	-	-	-	-	-
Employee share option scheme -					

value of services provided					
Balance at 31 December 2016	**2,294**	**776**	**168**	**(2,298)**	**940**

Sabien Technology Group Plc

Notes to the Financial Statements for the period ended 31 December 2016

1. Accounting policies

The interim financial information has not been audited or reviewed by the auditors and does not constitute statutory accounts for the purpose of Sections 434 and 435 of the Companies Act 2006.

The financial information in this document has been prepared using accounting principles generally accepted under International Financial Reporting Standards and is consistent with those used in the preparation of the most recent annual financial statements.

The following significant principal accounting policies have been used consistently in the preparation of the consolidated financial information of the Group. The consolidated information comprises the Company and its subsidiaries (together referred to as "the Group").

a) **Basis of Preparation**: The financial information in this document has been prepared using accounting principles generally accepted under International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The directors expect to apply these accounting policies which are consistent with International Financial Reporting Standards in the Group's Annual Report and Financial Statements for all future reporting periods.

The key performance indicator for the Group is the conversion of its sales pipeline to revenue. The pipeline comprises business cases submitted to clients. The conversion of opening pipeline to sales revenue in the last financial year amounted to 14% which was a significant reduction on previous years' conversion rates. The Board has reviewed the Directors' cashflow forecasts and these confirm that unless the Company can raise additional working capital, the Group would not have sufficient resources to settle its liabilities as they fall due for a period of not less than 12 months from the date of these financial statements.

The Directors expect to make an announcement later today that will remove this uncertainty and enable the Company to continue trading for a period of not less than 12 months from the date of these financial statements. The Directors believe that, despite the losses incurred in the past two years and the uncertainty as to the timing of future profitability, the fund raising will enable the Group to continue as a going concern and have accordingly prepared these financial statements on a going concern basis.

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

b) **Basis of consolidation**: The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) at 31 December 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

Except as noted below, 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.

Accounting for the Company's acquisition of the controlling interest in Sabien Technology Limited: The Company's controlling interest in its directly held subsidiary, Sabien Technology Limited, was acquired through a transaction under common control, as defined in IFRS 3 Business Combinations. The directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

IFRS contain specific guidance to be followed where a transaction falls outside the scope of IFRS. This guidance is included at paragraphs 10 to 12 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This requires, inter alia, that where IFRS does not include guidance for a particular issue, the directors may also consider the most recent pronouncements of other standard setting bodies that use a similar conceptual framework to develop accounting standards. In this regard, it is noted that the UK standard FRS 6 addresses the question of business combinations under common control.

In contrast to IFRS 3, FRS 6 sets out accounting guidance for transactions under common control. The guidance contained in FRS 6 indicates that merger accounting may be used when accounting for transactions under common control.

Having considered the requirements of IAS 8, and the guidance included in FRS 6, it is considered appropriate to use a form of accounting which is similar to pooling of interest when dealing with the transaction in which the Company acquired its controlling interest in Sabien Technology Limited.

In consequence, the consolidated financial statements for Sabien Technology Group Plc report the result of operations for the year as though the acquisition of its controlling interest through a transaction under common control had occurred at 1 October 2005. The effect of intercompany transactions has been eliminated in determining the results of operations for the year prior to acquisition of the controlling interest, meaning that those results are on substantially the same basis as the results of operations for the year after the acquisition of the controlling interest.

Similarly, the consolidated balance sheet and other financial information have been presented as though the assets and liabilities of the combining entities had been transferred at 1 October 2005.

The Group took advantage of Section 131 of the Companies Act 1985 and debited the difference arising on the merger with Sabien Technology Limited to a merger reserve.

c) **Property, plant and equipment**: Property, plant and equipment are stated at cost less accumulated depreciation. Assets are written off on a straight-line basis over their estimated useful life commencing when the asset is brought into use. The useful lives of the assets held by the Group are considered to be as follows:

Office equipment, fixtures and fittings	3-4 years

d) **Intangible assets**: Intellectual property, which is controlled through custody of legal rights and could be sold separately from the rest of the business, is capitalised where fair values can be reliably measured.

Intellectual property is amortised on a straight line basis evenly over its expected useful life of 20 years.

Impairment tests on the carrying value of intangible assets are undertaken:

- At the end of the first full financial year following acquisition
- In other periods if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of the fair value, less costs to sell, and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only in so far that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in income immediately.

e) **Fixed asset investments**: Fixed asset investments are stated at cost less any provision for impairment in value.

f) **Inventories:** Inventories are valued at the lower of average cost and net realisable value.

g) **Financial Instruments**

Financial Assets

The Group classifies its financial assets as loans and receivables and cash. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Trade receivables are classified as loans and receivables and are recognised at fair value less provision for impairment. Trade receivables, with standard payment terms of between 30 to 65 days, are recognised and carried at the lower of their original invoiced and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective guidance that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Financial Liabilities

The Group classifies its financial liabilities as trade payables and other short term monetary liabilities. Trade payables and other short term monetary liabilities are recorded initially at their fair value and subsequently at amortised cost. They are classified as non-current when the payment falls due more than 12 months after the balance sheet date.

h) **Cash and Cash Equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

i) **Revenue recognition**: Revenue from sale of goods is recognised upon delivery and installation at a customer site or delivery to a customer's incumbent facilities manager which subsequently carries out the installation itself. Where goods are delivered to overseas distributors, revenue is recognised at the time of shipment from the Company's warehouse.

Revenue from services generally arises from pilot projects for customers and is recognised once the pilot has been completed and the results notified to the customer. Pilot projects generally have a duration of between 1 and 3 months.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

j) **Share-based payments**: The Group has applied the requirements of IFRS2 Share-based Payments. The Group issues options to certain employees. These options are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black-Scholes 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 conditions.

k) **Operating leases**: Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of comprehensive income on the straight line basis over the lease term.

l) **Taxation**: The charge for current tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. 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 £166k which were 56% of total revenues for the period.

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

	Sales revenue £'000	% of total revenue
Customer 1	99	33
Customer 2	99	33
Customer 3	50	17

3. Taxation

	6 months to 31 December 2016 £'000	6 months to 31 December 2015 £'000	Year to 30 June 2016 £'000
Corporation tax recovered	30	-	-

4. Earnings per share (EPS)

The calculation of the basic earnings per share is based on the earnings attributable to the ordinary shareholders, divided by the weighted average number of shares in issue in the period.

	6 months to 31 December 2016 £'000	6 months to 31 December 2015 £'000	Year to 30 June 2016 £'000
Loss for the period	(796)	(983)	(1,620)
Basic and Diluted:			
Weighted average number of shares in issue	56,504,867	42,171,534	43,088,200
Loss per share - basic and diluted	(1.4)p	(2.3)p	(3.8)p

5. Share capital

The Company's issued Ordinary share capital is:

	Amount	Number of New Ordinary Shares of 0.5p each	Number of Deferred Shares of 4.5p each
Allotted, called up and fully paid:			
At 31 December 2016	£2,293,993	62,754,867	44,004,867
At 31 December 2015 and 30 June 2016 (Ordinary shares of 5p each)	£2,200,243	44,004,867	-

At a general meeting of the Company held on 13 July 2016, the Ordinary shares of 5p each were split into 44,004,867 New Ordinary shares of 0.5p each and 44,004,867 Deferred shares of 4.5p each. The Deferred shares carry very limited rights and are liable to be cancelled without payment of any consideration.

On 16 September 2016, the Company raised £750k gross by the issue of 18,750,000 New Ordinary shares of 0.5p each at a price of 4p per share. Net proceeds after expenses amounted to £705k.

6. Seasonality

The business of the Group is not seasonal.

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