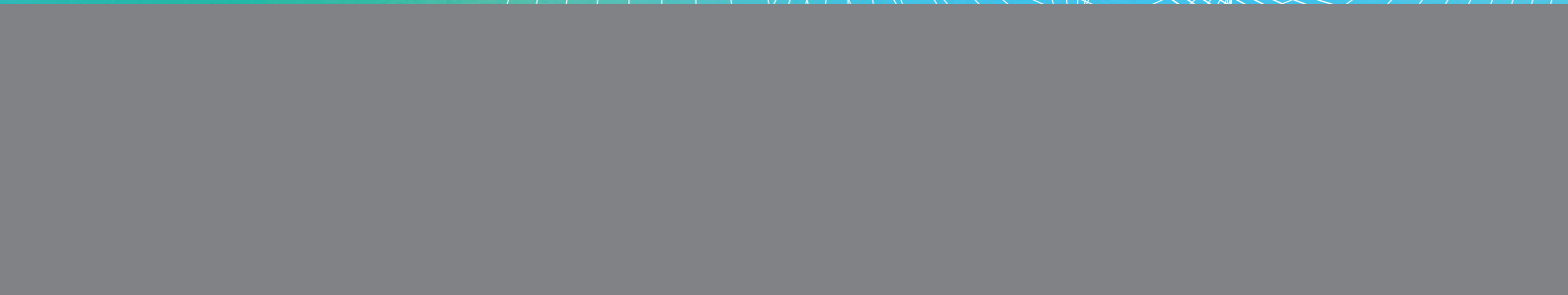
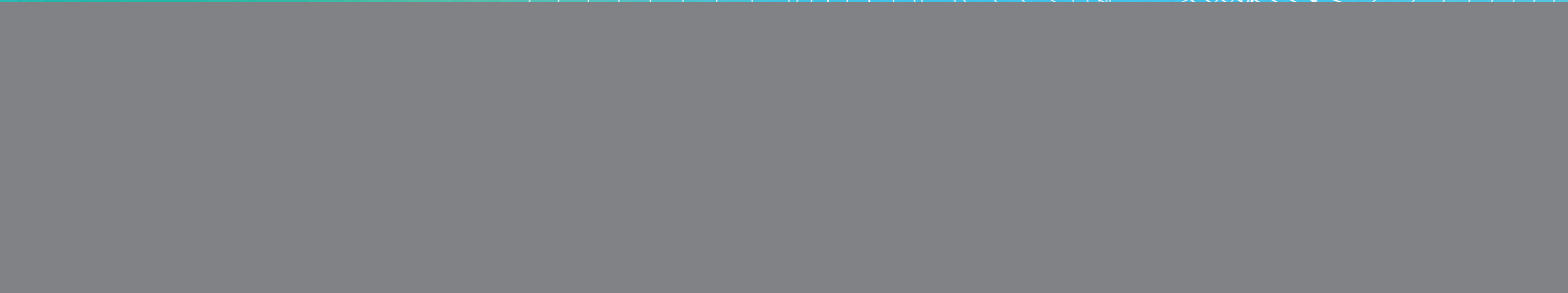


# Sabien Technology Group PLC

Placing and Admission to AIM





**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to what action you should take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules has been issued in connection with the application for Admission. This document does not comprise a prospectus under the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

Application has been made for all of the Ordinary Shares of Sabien Technology Group PLC both issued and to be issued to be admitted to trading on AIM, a market operated by London Stock Exchange plc. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List.**

**A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

**The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM, no other such applications have been or will be made.**

It is expected that Admission will be effective and dealings in the Ordinary Shares will commence on AIM on 20 December 2006.



# Sabien Technology Group PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 5568060)*

## Placing of 6,153,847 Ordinary Shares at 52p per share

*(ISIN Number: GB00B1FPCD38)*

## Admission to trading on AIM

### Nominated Adviser



**Brewin Dolphin**  
Corporate Finance

### Broker



**Bell Lawrie**  
A division of Brewin Dolphin Securities

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The Directors of Sabien Technology Group PLC, whose names appear on page 3 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

Brewin Dolphin, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, is acting only for Sabien Technology Group PLC in connection with the Placing and the Admission and is not acting for any other person and will not be responsible to any person other than Sabien Technology Group PLC for providing the protections afforded to customers of Brewin Dolphin. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and it is not intended to be relied on by any subsequent purchaser of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is owed to them.

This document does not constitute an offer to sell or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to, or for the account or benefit of, US persons or any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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## DIRECTORS, SECRETARY AND ADVISERS

### Directors

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Alan Michael George O'Brien  
Laurence Augustine Orchard, FCA  
Jonathan Clive Hill

*Non-executive Chairman*  
*Chief Executive Officer*  
*Finance Director*  
*Non-executive Director*

### Company Secretary

Laurence Augustine Orchard, FCA

*all of:*

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## KEY INFORMATION

**The following information is extracted from and should be read in conjunction with the full text of this document. This summary is not complete and does not contain all of the information which a prospective investor should consider before making an investment decision with respect to the Ordinary Shares. Prospective investors should read the whole of this document, including the Risk Factors set out in Part 2.**

### INTRODUCTION

Sabien Technology Limited was founded in March 2004 by the Company's Chief Executive, Alan O'Brien, to exploit an energy-saving boiler control unit, known as the M2G. Case studies have shown that M2G provides a reduction in energy consumption of between 7 and 35 per cent., without loss of performance or reliability of the heat and hot water systems, with a typical payback period on investment of between 6 and 24 months with an average payback of 0.73 years based on January 2004 and May 2004 gas and oil prices.

The product is targeted at the commercial and industrial sectors and the Group has to date successfully installed approximately 880 M2G systems in the premises of a number of blue-chip customers. M2G is now proven and the Group has been revenue generating since incorporation.

The Company is seeking an Admission to AIM and to effect a fundraising of £4.0 million, of which £3.2 million is effected through the Placing and £0.8 million through the issue of the Loan Notes. The purpose of the fundraising is principally to enable the Group to increase the scale of its UK operations, to expand into European markets and to further its product development.

### OVERVIEW OF THE BUSINESS

Sabien's business is based upon technology, called M2G, which has been proven to reduce the energy consumption of commercial boilers that use gas and/or oil to heat water and space by between 7 and 35 per cent., without loss of performance or reliability, with a normal payback period of between 6 and 24 months.

With energy prices rising and environmental concerns growing over recent years, the need to achieve both financial savings and an improved environmental profile is being seen as increasingly important at board level within UK industrial and commercial sectors.

The Directors are targeting high-usage customers using gas and oil fired boilers in the commercial and industrial markets. Sabien markets the product directly to corporates and also to facilities management ("FM") companies employed to manage the services within their buildings. The UK market alone is valued at over £7 billion and includes multi-site customers such as the NHS and other government bodies, retail banks, leisure centres, private nursing homes and office buildings.

The Group acquired the intellectual property, manufacturing and commercial rights to the M2G technology from the original inventor with whom the Group has also entered into a consultancy agreement in relation to the future development of future M2G products. The Group has UK Trade Mark approval and has a European patent application currently pending.

Both the production and installation of the M2G unit are currently out-sourced to third parties at a fixed price.

### M2G's COMPETITIVE POSITION

There are other boiler products on the market which aim to tackle certain of the inefficiencies in the transfer of heat around buildings. However, the Directors are unaware of any other unit in the market that addresses the fundamental problem of excessive boiler firings. It is common for large commercial buildings to have a Building Energy Management System ("BEMS") which takes a common reading of a temperature in a building with a view to controlling energy use. However these systems do not take specific boiler readings, nor do they reduce consumption. M2G integrates seamlessly with a BEMS by addressing the lack of specific boiler attention.

Other solutions exist in the market place such as consultancy companies focusing on energy efficiency which recommend good housekeeping initiatives and energy suppliers which offer metering services

and software programs to help monitor energy consumption. As with a BEMS however, these solutions can usually be used in conjunction with M2G.

In a young and fragmented market place, Sabien has positioned M2G with the following competitive characteristics which, in addition to yielding significant financial savings to customers through reduced energy consumption, the Directors believe will help to establish M2G as the market leader in its sector:

#### **Wide scope of application**

M2G has been designed to work with a wide variety of existing boiler applications and integrates with most BEMS. This enables customers to fully benefit from a cost- and energy-efficient space and water heating system without having to change or adjust their boiler. In addition, M2G can function internationally with gas or oil boilers, provided that account is taken of the appropriate electrical output, which makes it easier for Sabien to exploit the product in new markets than if development of a new system were required for each new market.

#### **Ease of installation**

M2G can generally be installed in around 90 minutes per boiler, once on site, with no disruption to the boiler operations. The unit works with the existing boiler controls in a relatively unobtrusive manner and, once installed, the unit can be easily bypassed to return the boiler controls to their original configuration. This gives assurance to the facility managers who are responsible for the servicing of the boiler.

#### **Reduced capital investment and boiler maintenance**

M2G has the benefit of requiring less burner motor activity as the requirement for the second stage firing is reduced. This has the effect of reducing electricity required to operate the motor and, if the burner functions less, both it and the boiler should last longer, delaying capital investment for boiler replacement.

#### **Carbon Trust approval**

M2G has achieved Carbon Trust approval which gives the Group's customers the ability to claim 100% first year capital allowances on their expenditure on an M2G unit and hence write off the whole of the capital cost of their investment in the technology against their taxable profits of the period during which they make the investment.

#### **Product development**

Sabien's current strategy involves further development of the existing M2G product plus the addition of complementary products to the portfolio.

M2G has been developed with the capacity for expansion and improvement, for example adding a remote sensing capability or applying it to different applications such as the domestic market or cooling rather than heating systems. The Group's technical team includes the original inventor who remains involved with the product development on a consultancy basis, thus assisting the Group in establishing and maintaining M2G as the market leader in its sector.

#### **Warranty**

Sabien gives a five year warranty on the M2G unit and has a zero call back track record since its inception.

### **KEY BUSINESS STRENGTHS**

The Directors believe that the combination of new and effective technology with a track record of sales to blue-chip clients is positioning Sabien to be a leading player in the market place. The Directors believe that the following are the key business strengths of Sabien:

#### **Technology**

M2G has been proven to be effective in reducing the energy consumption of boilers that use gas and/or oil to heat water and space. Various case studies have shown that M2G provides a reduction in energy

consumption of between 7 and 35 per cent., without loss of performance or reliability of the heat and hot water systems, with a normal payback period of between 6 and 24 months with an average payback of 0.73 years based on January 2004 and May 2004 gas and oil prices.

### **Blue-chip customer base**

Sabien's customers include one of the UK's largest banks, an NHS Trust and large commercial sites which are all recognizable brands in the UK. In addition, the Group currently has a strong sales pipeline which the Directors believe should underpin the future growth of the business.

### **Nationwide installation coverage and technical support**

Sabien's relationships with intermediaries such as FM companies and professional services firms give the Group nationwide access to both new clients and installation support. This improves both the Group's routes to market and the credibility of Sabien with regard to its ability to execute and deliver the units.

### **Management Team**

The Directors and the senior management team have considerable industry experience both in the power industry but also specifically in the boiler controls industry. In addition, several members of the team have significant experience within the public companies arena.

### **Intellectual property protection**

The Group owns the intellectual property and international marketing rights to M2G. The original inventor remains active with the company in product development and a European patent application is currently pending.

### **Track Record**

To date Sabien has delivered a number of large multi-site projects establishing a track record within the industry. This track record has provided Sabien with a number of published recognized case studies which provide third party validation of the M2G technology.

## **REASONS FOR THE PLACING AND ADMISSION**

The Group has reached a stage in its development where the Directors consider that its strategic objectives can be most readily achieved within the public arena. The Directors believe that a quotation on AIM will raise the status and market profile of the Group, promoting further awareness of the M2G brand and that this awareness will strengthen the Group's ability to attract new business and take advantage of growth opportunities. In addition, the Directors believe that Admission will provide liquidity and a value to the Company's equity which, in conjunction with the Share Option Plan, will help the Company to attract and motivate staff of the appropriate calibre to achieve the growth targeted. Admission will also give the Company access to new funds to facilitate the Group's future growth in both the UK and elsewhere in the EU, whether organically and through product development or through well-positioned acquisitions.



## PLACING STATISTICS

Issue Price	52p
Number of Ordinary Shares being issued pursuant to the Placing	6,153,847
Percentage of enlarged issued Ordinary Share capital being issued	23.2%
Number of Ordinary Shares in issue following Admission	26,570,511
Gross proceeds of the Placing receivable by the Company	£3.2 million
Net proceeds of the Placing receivable by the Company	£2.5 million
Net proceeds of the Loan Note issue receivable by the Company	£0.8 million
Market capitalisation on Admission at the Issue Price	£13.8 million
EPIC Code	"SNT"

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of Admission Document	15 December 2006
Admission and dealings in the Ordinary Shares expected to commence on	20 December 2006
CREST accounts (where relevant) expected to be credited for the New Ordinary Shares	20 December 2006
Share certificates (where relevant) expected to be despatched for the New Ordinary Shares no later than	12 January 2007

# **PART 1: INFORMATION ON SABIEN TECHNOLOGY GROUP PLC**

## **INTRODUCTION**

Sabien Technology Limited was founded in March 2004 by the Company's Chief Executive, Alan O'Brien, to exploit an energy-saving boiler control unit, known as the M2G. Case studies have shown that M2G provides a reduction in energy consumption of between 7 and 35 per cent., without loss of performance or reliability of the heat and hot water systems, with a typical payback period on investment of between 6 and 24 months with an average payback of 0.73 years based on January 2004 and May 2004 gas and oil prices.

The product is targeted at the commercial and industrial sectors and the Group has to date successfully installed approximately 880 M2G systems in the premises of a number of blue-chip customers. M2G is now proven and the Group has been revenue generating since incorporation.

The Group is seeking an Admission to AIM and to effect a fundraising of £4.0 million, of which £3.2 million is effected through the Placing and £0.8 million through the issue of the Loan Notes. The purpose of the fundraising is principally to enable it to increase the scale of its UK operations, to expand into European markets and to further its product development.

## **OVERVIEW OF THE BUSINESS**

Sabien's business is based upon technology, called M2G, which has been proven to reduce the energy consumption of commercial boilers that use gas and/or oil to heat water and space by between 7 and 35 per cent., without loss of performance or reliability, with a normal payback period of between 6 and 24 months.

With energy prices rising and environmental concerns growing over recent years, the need to achieve both financial savings and an improved environmental profile is being seen as increasingly important at board level within UK industrial and commercial sectors.

The Directors are targeting high-usage customers using gas and oil fired boilers in the commercial and industrial markets. Sabien markets the product directly to corporates and also to facilities management ("FM") companies employed to manage the services within their buildings. The UK market alone is valued at over £7 billion and includes multi-site customers such as the NHS and other government bodies, retail banks, leisure centres, private nursing homes and office buildings.

The Group acquired the intellectual property, manufacturing and commercial rights to the M2G technology from the original inventor, as outlined in paragraph 10.10 of Part 6 of this document, with whom the Group has also entered into a consultancy agreement in relation to the future development of future M2G products, as outlined in paragraph 10.11 of Part 6 of this document. The Group has UK Trade Mark approval and has a European patent application currently pending.

Both the production and installation of the M2G unit are currently out-sourced to third parties at a fixed price.

## **THE M2G TECHNOLOGY**

### **Background to the technology**

Boiler design has improved over recent years to the extent that a particular boiler manufacturer is now claiming 98 per cent. boiler efficiency. These claims however take little account of how well heat is transferred from the boiler into the public spaces enclosed by the building or to the hot water consumed by the occupants of that building. When these factors are taken into consideration, the efficiency of hot water heating systems may be cut by over 50 per cent. (Source: CIBSE). Sabien has addressed this issue and, with the introduction of M2G's boiler firing controls, can offer fuel savings of up to 35 per cent., significantly reduce a building's carbon footprint and, at the same time, extend the useful life of the boiler.

Generally, heat is lost from a heating system in two main areas:

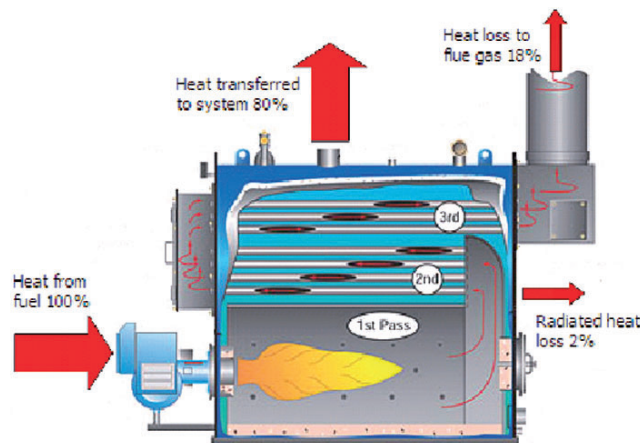
- radiated and convected heat from the boiler and associated distribution pipe work; and
- heat lost to the boiler flue. This is a continuous loss when the boiler is on standby (not actually firing) but greatly increases during the purge period, in which the firing area is evacuated prior to each burner firing.

These “system losses” are an unproductive loss of energy as opposed to the “heating demand” which draws on the system generated by a reduction in room temperature or the temperature of the hot water service.

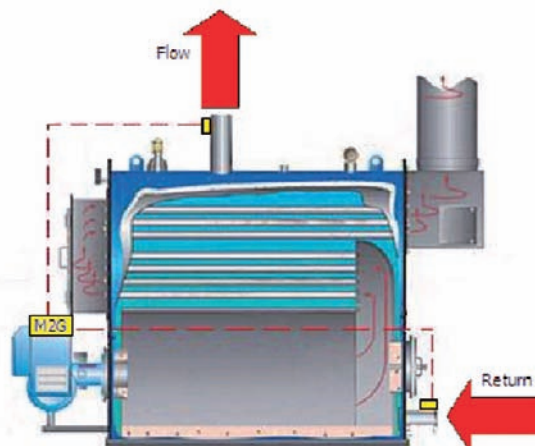
The greatest system loss is incurred during the purge period which for safety purposes, immediately precedes each burner firing. It follows therefore that reducing the number of boiler firings, particularly those associated with unproductive system losses, will have a very positive effect on efficiency. The Directors believe that M2G’s core competency is its ability to discriminate between “heating demand” and “system losses”. In this way it can not only block calls on the burner generated by these losses, but also eliminate the initiation of the second stage fire sequence if the system temperature is recovering following the action of first stage fire alone.

M2G has been the subject of rigorous and well documented field trials which clearly demonstrate the product’s effectiveness. Existing users of this technology include hospital trusts, leisure centres and major high street banking and insurance groups.

### How the technology works



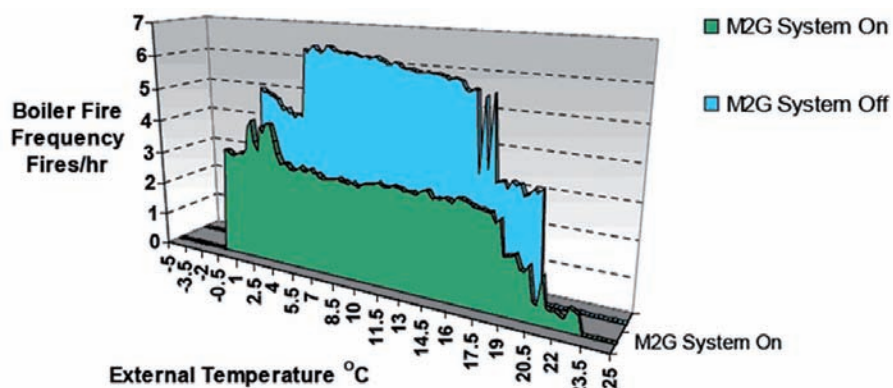
M2G monitors flow and return water temperature to a boiler as well as monitoring the firing pattern of the boiler, in order to ascertain the characteristics of both the boiler and its operating environment. These characteristics are subsequently used, in conjunction with the continuously monitored flow and return temperatures of the boiler, to modify the firing pattern of the boiler to reduce fuel consumption without compromising the effectiveness of the heating system.



M2G modifies the firing pattern of the boiler by blocking signals from the boiler thermostat to the existing boiler control that would initiate firing at times where M2G, using the system characteristics, determines that the firing is unnecessary. M2G does not directly control the ignition system or gas supply valves of the boiler but determines the characteristics of the boiler system and the operating environment within the installation during the initial firing of the boiler after a period of being shutdown, which is normally in the morning before the start of the working day. During this time M2G allows the boiler to fire directly under the control of the existing boiler thermostat to achieve temperature set-point, logs the flow and return water temperatures and monitors the firing pattern of the boiler (first and second stage separately on two stage firing boilers). Once the building has achieved temperature set-point, M2G has determined the system's characteristics and uses them to maintain the building at the required temperature with optimal fuel consumption reduction.

Use of the M2G system reduces overall boiler firing and, in particular, second stage firing, as often sufficient heat to maintain temperature is provided by the first stage burners. Second stage firing typically consumes a lot more fuel and any reduction in this particular area can produce very significant savings. For safety reasons many boilers include a fan which is used to purge unburned hydro-carbons from the air in the boiler shell before boiler ignition; these air purges have the effect of cooling the boiler. The resulting heat loss is reduced as a consequence of the reduction in firing gained by using M2G, thereby enhancing the fuel efficiency of the boiler. The reduction of firing also lessens the need for boiler maintenance.

The graph below illustrates the boiler firing frequency per hour at varying ambient temperatures over a four month period in a hospital site where M2G has been installed. This confirms that M2G reduces the number of firings per hour as the load decreases:



Source: "Evaluation of the M2G System: A boiler energy management load compensating sequence control", Down & Lisburn HSS Trust

### M2G's competitive position

There are other boiler products on the market which aim to tackle certain of the inefficiencies in the transfer of heat around buildings. However, the Directors are unaware of any other unit in the market that addresses the fundamental problem of excessive boiler firings. It is common for large commercial buildings to have a Building Energy Management System ("BEMS") which takes a common reading of a temperature in a building with a view to controlling energy use. However these systems do not take specific boiler readings, nor do they reduce consumption. M2G integrates seamlessly with a BEMS by addressing the lack of specific boiler attention.

Other solutions exist in the market place such as consultancy companies focusing on energy efficiency which recommend good housekeeping initiatives and energy suppliers which offer metering services and software programs to help monitor energy consumption. As with a BEMS however, these solutions can usually be used in conjunction with M2G.

In a young and fragmented market place, Sabien has positioned M2G with the following competitive characteristics which, in addition to yielding significant financial savings to customers through reduced energy consumption, the Directors believe will help to establish M2G as the market leader in its sector:

### ***Wide scope of application***

M2G has been designed to work with a wide variety of existing boiler applications and integrates with most BEMS. This enables customers to fully benefit from a cost- and energy-efficient space and water heating system without having to change or adjust their boiler. In addition, M2G can function internationally with gas or oil boilers, provided that account is taken of the appropriate electrical output, which makes it easier for Sabien to exploit the product in new markets than if development of a new system were required for each new market.

### ***Ease of installation***

M2G can generally be installed in around 90 minutes per boiler, once on site, with no disruption to the boiler operations. The unit works with the existing boiler controls in a relatively unobtrusive manner and, once installed, the unit can be easily bypassed to return the boiler controls to their original configuration. This gives assurance to the facility managers who are responsible for the servicing of the boiler.

### ***Reduced capital investment and boiler maintenance***

M2G has the benefit of requiring less burner motor activity as the requirement for the second stage firing is reduced. This has the effect of reducing electricity required to operate the motor and, if the burner functions less, both it and the boiler should last longer, delaying capital investment for boiler replacement.

### ***Carbon Trust approval***

M2G has achieved Carbon Trust approval which gives the Group's customers the ability to claim 100 per cent. first year capital allowances on their expenditure on an M2G unit and hence write off the whole of the capital cost of their investment in the technology against their taxable profits of the period during which they make the investment.

### ***Product development***

Sabien's current strategy involves further development of the existing M2G product plus the addition of complementary products to the portfolio.

M2G has been developed with the capacity for expansion and improvement, for example adding a remote sensing capability or applying it to different applications such as the domestic market or cooling rather than heating systems. The Group's technical team includes the original inventor who remains involved with the product development on a consultancy basis, thus assisting the Group in establishing and maintaining M2G as the market leader in its sector.

### ***Warranty***

Sabien gives a five year warranty on the M2G unit and has a zero call back track record since its inception.

### **Further information on M2G**

A technical report on the M2G product by Sgurr Energy, an independent expert, can be found in Part 5 of this document.

### ***Summary of Patent Agent's Report/Findings***

The European patent application no. 05012876.8 in the name of Sabien Technology IP Limited (formerly Taran Systems Limited) was filed on 15 June 2005 (the "**876.8 Application**") and so is at a relatively early stage.

The 876.8 Application was the subject of a European search report drawn up by the European Patent Office in September 2005. This initial search report cited three earlier patent documents. However the patent agent to the applicants has concluded that none of the documents cited destroy the novelty of the claims in the 876.8 Application.

Like most applications the application has been drawn widely to obtain the greatest level of protection in the most number of contracting states as is feasible. This is done in the expectation that the breadth of the application will be narrowed by amendment. One of the cited documents does suggest that

claim 1 may be obvious but that point is arguable and in the event that an amendment to the general nature of claim 1 is required the current expectation is that patent protection for claims 3 to 7 could be obtained.

It should be added that this was the initial search report and the current status of the 876.8 Application is that substantial examination has been requested (on 19 June 2006) and is now in a queue awaiting examination.

## **MARKET OVERVIEW**

### **Market Drivers**

The Directors believe that there are two key market drivers which will contribute to demand for M2G in its target markets.

The first and primary driver is that the recent relative increases in the prices of gas and oil have resulted in UK companies increasingly seeking measures and solutions to achieve financial savings through reduced energy consumption.

Coupled with this, there is an increasing general desire by business and society to reduce the carbon footprint and therefore to implement environmental initiatives within organisations.

These two drivers are supported by a range of legislation and initiatives designed to reduce both operating costs and emissions of carbon dioxide, including the UK Climate Change and Sustainable Energy Bill in which the government has pledged to cut emissions by 3 per cent. per annum until 2050, in line with the Kyoto Protocol Agreement. Initiatives such as the UK Climate Change Levy, the Carbon Trust, the Enhanced Capital Allowances scheme and the European Union Emissions Trading System provide further incentives for companies to increase their efforts to improve energy efficiency.

The UK government's energy review document from July 2006 indicates that it is seeking to lead the way in improving energy efficiency:

*"Government too has to change its behaviour and take energy efficiency even more seriously in the buildings and operations it is responsible for. We will change the way government procures buildings, goods and services in order to reduce energy use across the central government estate. We aim to make the central government estate of buildings carbon neutral by 2012, with any shortfall to government targets 'offset' by payment into a central fund and ploughed back into sustainable energy projects".*

*Source: "The Energy Challenge: Energy Review Report 2006", Department of Trade and Industry.*

### **Sabien's target markets**

Sabien targets multi-site operations in both the commercial and industrial sectors. Of these two markets, Sabien primarily focuses on the commercial sector. The reason for this is that commercial sites often have multi-site operations with a larger number of boilers per site.

The Directors estimate that in the UK there are over 4 million commercial and industrial boilers suitable for M2G. Outside of the UK, several markets in the European Union represent extremely attractive opportunities for Sabien as these countries principally use oil-based boilers for which Sabien's technology has attractive benefits. Sabien's interest in multi-sites is actually an interest in the multiple boilers on each site. For example, each site will vary in terms of numbers of boilers; one retail banking site has 12 boilers whereas another site may have only two boilers.

In order to assist with its sales strategy, Sabien categorises its target customers into the following multi-site segments:

1. Operations with over 1,000 sites;
2. Operations with 500 – 999 sites; and
3. Operations with up to 500 sites with minimum energy bills of £10,000 per annum.

Sabien has identified three priority sub-categories which the Directors believe present the greatest opportunity for exploitation of M2G:

1. Banks and insurance companies, due to the blue-chip nature of the customers and multi-site nature of their operations. For example, an average large retail bank in UK has 2,000 buildings which the Directors estimate would contain approximately 12,000 boilers. Sabien's largest client is from this segment representing 456 units sold in the calendar year 2006 to date. Sabien has a strong existing track record in this market and is currently in discussions with major international retail banks and insurance companies for large scale purchase orders;
2. Public sector buildings, for example NHS hospitals and the Ministry of Defence buildings, due to their multi-site operations and also due to the scale of operations. The strong government commitment for initiatives to reduce the carbon footprint of operations should also mean that public sector operations are receptive to M2G. A proven track record with the Lisburn & Down HSS Trust demonstrated an average saving of 19.1 per cent. over 8 sites in which the M2G was trialled; and
3. Facilities Management ("FM") companies, being organisations which manage buildings' operations for their client companies. A typical FM contractor manages hundreds of sites for a single customer, which the Directors estimate would represent an average of 6 boilers per site.

The Directors believe that additional opportunities exist for M2G in a number of other sub-sectors such as leisure, hotel, university and educational premises. The Directors intend to target these areas in the future providing that the relevant business meets Sabien's size and performance criteria.

## **ROUTES TO MARKET**

In the past two years, Sabien's sales of over £1 million and approximately 880 units largely represent initial market penetration. Sabien has been successful in securing a number of key customers during this period including several recognisable blue-chip companies, in addition to KPMG, AEGON and the NHS. Sabien is now poised to expand aggressively in the UK and intends to do so by the use of both a direct and indirect sales approach.

### **Direct Sales**

A UK sales team has recently been recruited, led by Sales Director Peter Bennett who has over 30 years experience of sales into the boiler controls industry. Sabien has divided the UK into two territories, each of which has a regional sales director solely focussed on this area.

The Group has historically secured sales by making a face-to-face technical presentation to its clients and Sabien intends to continue this method of sales for its highest priority market segments. As the business expands it is the intention of the Directors to expand the sales team to ensure that these segments continue to be properly exploited.

### **Indirect Sales**

Sabien has established strong relationships with a number of parties which will allow it wider access to its target markets and will give the Group the potential to scale by leveraging both the brands and relationships of these partners to provide access to further sales.

The Directors have identified four primary methods by which they believe the Group will be successful in reaching a wider market beyond direct sales:

1. *Partnerships with professional services firms*  
Professional services firms are able to use the Sabien technology as a complimentary service to existing clients, for example KPMG is currently referring Sabien and M2G to its existing client base;
2. *Facilities Management companies*  
Though a target market themselves, Sabien currently has developed strong relationships with FM contractors which are important to the scalability of the business. Three such relationships

exist which have already delivered results to Sabien and where each of the FM contractors is currently using M2G as part of services to existing clients, being:

- Dalkia plc, a provider of energy and integrated facilities services to businesses throughout the UK and Ireland;
- Integral, a nationwide building facilities services company; and
- Sturrock Power, which provides maintenance services to customers in Scotland and the North East of England.

Other relationships are under discussion and Sabien will continue to explore opportunities in this sector. The Directors believe that a meaningful amount of future sales will come from relationships with FM contractors;

### 3. *Mechanical and Electrical (“M&E”) Consultants*

M&E consultants are responsible for the product specification and best practices in terms of buildings products. A relationship with these consultants would give Sabien access to the new build sector by enabling the technology to be integrated into new boilers as they are fitted to new buildings. The Directors believe it is important for Sabien to be recognised in this area and for M2G to appear on the sector’s approved products lists; and

### 4. *Full marketing and advertising campaign*

The Group intends to leverage sales from existing references and case studies. The Directors intend to raise the Group’s profile through a well-coordinated PR campaign which will include a presence at key exhibitions and exposure in trade publications.

## **European Expansion**

The Directors believe that several EU territories have the potential to represent significant further opportunities to Sabien. Market entry into EU territories will differ dramatically depending on the territory, primarily due to the differing stages of deregulation in the EU energy markets. Sabien is customising its approach into its priority EU markets to fit the political, economic, social and technological conditions of each territory. It is the intention of the Directors to work with local partners and engage local experts in each market to identify the best model for that market, which may be by means of a direct sales approach, partnership, joint venture, product licensing or a combination thereof.

The Directors anticipate that Italy will be the first EU market into which Sabien will enter. Italy has been carefully selected due to its climate, the prevalence of oil-based boilers and access to well-aligned partnerships. Expansion into other EU areas will be closely considered, commencing with a detailed feasibility study. It is anticipated that the period from initial market entry to first sales will take approximately nine months. Sabien also intends to leverage existing indirect sales channels into the EU where possible, including marketing of the Sabien brand.

## **KEY BUSINESS STRENGTHS**

The Directors believe that the combination of new and effective technology with a track record of sales to blue-chip clients is positioning Sabien to be a leading player in the market place. The Directors believe that the following are the key business strengths of Sabien:

### **Technology**

M2G has been proven to be effective in reducing the energy consumption of boilers that use gas and/or oil to heat water and space. Various case studies have shown that M2G provides a reduction in energy consumption of between 7 and 35 per cent., without loss of performance or reliability of the heat and hot water systems, with a normal payback period of between 6 and 24 months with an average payback of 0.73 years based on January 2004 and May 2004 gas and oil prices.



### **Blue-chip customer base**

Sabien's customers include one of the UK's largest banks, an NHS Trust and large commercial sites which are all recognizable brands in the UK. In addition, the Group currently has a strong sales pipeline which the Directors believe should underpin the future growth of the business.

### **Nationwide installation coverage and technical support**

Sabien's relationships with intermediaries such as FM companies and professional services firms give the Group nationwide access to both new clients and installation support. This improves both the Group's routes to market and the credibility of Sabien with regard to its ability to execute and deliver the units.

### **Management Team**

The Directors and the senior management team have considerable industry experience both in the power industry but also specifically in the boiler controls industry. In addition, several members of the team have significant experience within the public companies arena.

### **Intellectual property protection**

The Group owns the intellectual property and international marketing rights to M2G. The original inventor remains active in product development and a European patent application is currently pending.

### **Track Record**

To date Sabien has delivered a number of large multi-site projects establishing a track record within the industry. This track record has provided Sabien with case studies which provide third party validation of the M2G technology.

## **REASONS FOR THE PLACING AND ADMISSION**

The Group has reached a stage in its development where the Directors consider that its strategic objectives can be most readily achieved within the public arena. The Directors believe that a quotation on AIM will raise the status and market profile of the Group, promoting further awareness of the M2G brand and that this awareness will strengthen the Group's ability to attract new business and take advantage of growth opportunities. In addition, the Directors believe that Admission will provide liquidity and a value to the Company's equity which, in conjunction with the Share Option Plan, will help the Company to attract and motivate staff of the appropriate calibre to achieve the growth targeted. Admission will also give the Company access to new funds to facilitate the Group's future growth in the UK and elsewhere in the EU, whether organically and through product development or through well-positioned acquisitions.

## **BOARD AND SENIOR MANAGEMENT**

The Board currently comprises the Directors outlined below. It is intended to strengthen the Board as soon as practicable after Admission with an additional non-executive director and the Board is actively seeking a suitable candidate with appropriate energy industry expertise.

### **Dr. Clive Neil Morton, OBE (aged 63) – Non-Executive Chairman**

Dr. Clive Morton has a 20 year record of achievement in revitalising public and private organisations. He is a chartered engineer who holds a PhD in Industrial Relations from the London School of Economics, and is the founder of the Morton Partnership, specialists in organisational transformation. He is an executive director of Board Performance Limited, Chairman of Peterborough and Stamford Hospitals NHS Foundation Trust and a visiting professor at three British universities. He is also Chairman of Dermasalve Sciences PLC and Deputy Chairman at D1 Oils plc. He is a past member of the DTI Partnership Panel. Clive was formerly Business Development Director at Anglian Water Plc, and during his career has held the positions of HR Director at Northern Electric Plc, Rolls-Royce Industrial Power Group, Anglian Water Services and Komatsu UK Ltd.

### **Alan Michael George O'Brien (aged 36) – Chief Executive Officer**

Alan has held a number of senior marketing management and commercial roles within the UK Energy and Telecom sectors including positions with TXU, KDDI, Eircom and Irish Life plc. Most recently he was employed by E-ON (formerly Powergen UK) as Business Development Manager, where he was responsible for the group's business development strategy and the development of key strategic alliances and partnerships within the UK and across Pan- European E-ON markets. Alan left E-ON in 2004 and subsequently founded the Sabien business. Alan holds a BA Hons. in International Marketing and a Diploma in Direct Marketing. As Chief Executive of Sabien, Alan is responsible for Group strategy, client liaison and the identification of new business opportunities.

### **Laurence Augustine Orchard (aged 56) – Finance Director**

Gus is a fellow of the Institute of Chartered Accountants and has held numerous appointments as company secretary and director at a variety of private and public companies. Gus started his career with Coopers and Lybrand working in France and London. His private company experience includes roles such as financial controller of GSI USA (part of the Alcatel Group), and financial director of Financial Data Services Group (formerly a part of SG Warburg and Co.) from 1983 to 1996. Other roles include finance director of TransEDA plc during the time that the company was admitted to AIM raising £3 million of new money with a market capitalisation of £25 million.

### **Jonathan Clive Hill (aged 40) – Non-executive Director**

Jonathan Hill is founder and Deputy Executive Chairman of AIM quoted General Capital Group PLC, which provides a number of forms of debt, finance and structural instruments to UK companies. Jonathan's early career was spent with Barclays and the Royal Bank of Scotland. Since 1990 he has overseen the development of General Capital into a commercial asset finance group with a loan portfolio of approximately £40 million. He is also currently a non-executive director of Earthport plc and chairman of Greenfleet plc, both AIM quoted.

The Board of Directors is supported by the following key senior managers who will be integral to the future development of the Group:

### **Peter Bennett – Sales Director**

Peter joined Sabien in August 2006 and has over 30 years' sales and marketing experience specializing in the supply of heat transfer and control equipment to the building services and industrial sectors. Prior to joining Sabien, Peter was the managing director of a UK sales and marketing subsidiary of a German energy systems manufacturer. Peter is a fellow of the Institute of Sales and Marketing Management.

### **David Bakst – Operations Director**

David joined Sabien in October 2006 following a career in operational management, business plan implementation and change management with positions at several large UK companies including Vodafone, PowerGen and TXU Energy. Recent projects have included a UK broadband service roll out and implementation of performance improvement programme for a multi-location customer service operation. David has an MBA from the University of Witwatersrand, along with a Bachelors Degree in Electrical Engineering and Graduate Diploma in Industrial Engineering. Within Sabien David will manage the operation from manufacture, installation to customer support and quality control.

## **MANAGEMENT INCENTIVISATION AND SHARE OPTIONS**

The Directors believe that the recruitment, motivation and retention of key employees is vital for the successful growth of the Group. The Directors consider that an important element in achieving these objectives in a competitive employee market place is to provide employees with a remuneration package which includes an element that is linked to the continued future success of the Company. The Directors believe that, while there should be an element of recognition of past contribution of certain key staff, the optimum package should include share incentive arrangements designed to provide continuing stimulus to contribute to the Company's growth over the medium term.

Accordingly, the Directors have established the Share Option Plan with the authority to issue options over Ordinary Shares representing up to 10 per cent. of the issued share capital from time to time.

On 14 December 2006, the Remuneration Committee granted options over a total of 1,461,534 Ordinary Shares under the Share Option Plan, at an exercise price equal to the Issue Price. Of these, the Directors are interested in the following:

Director	<i>Value of Ordinary Shares under option at the Issue Price</i>	<i>Number of Ordinary Shares under option</i>
Alan O'Brien	£260,000	500,000
Laurence Orchard	£180,000	346,152

Further details of the Share Option Plan are set out in paragraph 11 of Part 6 of this document.

## **SUMMARY FINANCIAL INFORMATION**

### **Financial track record**

The financial track record of the Company is included in Part 3 of the document and summarised below:

	<i>Period from 5 March to 30 June 2005 (£'000)</i>	<i>12 month period ended 30 June 2006 (£'000)</i>	<i>3 month period ended 30 Sept 2006 (£'000)</i>
Revenue	473	3	416
Cost of Sales	(124)	(9)	(132)
Gross Profit/(Loss)	349	(6)	284
Administrative Expenses	(65)	(63)	(123)
Net interest	–	(4)	(14)
Profit/(loss) before taxation	284	(73)	147

Prospective investors should read the whole of this document and should not rely on this summary information.

### **Current trading and prospects**

Trading since 30 September 2006 has been in line with the Directors' expectations. The Directors continue to be encouraged by the enquiries that are being received for M2G and by the prospects for the full financial year.

### **Dividend policy**

The Company has neither declared nor paid any dividends to date. In the short term the Directors are committed to building the business of the Group and accordingly propose that all profits will be reinvested. The Directors intend to adopt a progressive dividend policy appropriate to the Group's financial performance in the medium term.

## PART 2: INFORMATION ON THE PLACING AND RISK FACTORS

### DETAILS OF THE PLACING

The Company is proposing to issue 6,153,847 New Ordinary Shares at the Issue Price by way of the Placing to be made to certain institutional and other investors to raise approximately £3.2 million before expenses (£2.5 million after expenses). The New Ordinary Shares will represent approximately 23.16 per cent. of the issued share capital of the Company following Admission.

Pursuant to the Placing Agreement, Brewin Dolphin has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for the New Ordinary Shares. The Placing is conditional upon the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms by Brewin Dolphin. The Placing Agreement is conditional, *inter alia*, upon Admission taking place no later than 20 December 2006 (or such later date, being no later than 12 January 2007, as Brewin Dolphin and the Company may, prior to such date, agree). Further details of the Placing Agreement are set out in paragraph 10.1 of Part 6 of this document.

The net proceeds of the Placing will be utilised by the Company as follows:

	<i>£m</i>
Capital expenditure	0.6
Working capital	0.7
European expansion	1.2
	<hr/> 2.5 <hr/>

The New Ordinary Shares will, when issued, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends and distributions declared, paid or made after the date of this document.

### LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Directors and the Restricted Shareholders (the “Restricted Shareholders”), who together will control 76.2 per cent. of the issued share capital of the Company following Admission, have undertaken not to dispose of any Existing Shares for a period following Admission without the prior consent of Brewin Dolphin, except in certain limited circumstances. The Directors have further undertaken to ensure that any disposal made by them of any Existing Shares for a period of one year following the first anniversary of Admission will be made through the Company’s broker in order to ensure an orderly market in the Company’s securities is maintained.

Further details of such undertakings are set out in paragraph 10.2 of Part 6 of this document.

### ADMISSION AND DEALINGS

Application will be made for the whole of the issued and to be issued Ordinary Share capital of the Company to be admitted to trading on AIM. No application is being made for any of the Ordinary Shares to be admitted to the Official List of the UK Listing Authority or to the London Stock Exchange’s market for listed securities.

The Directors have arranged with CRESTCo for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons acquiring Ordinary Shares under the Placing may, however, elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a “system member” (as defined in the CREST Regulations) in relation to CREST.

It is anticipated that trading in the Ordinary Shares will commence at 8.00 a.m. on 20 December 2006.

## **SUMMARY OF POTENTIAL TAX RELIEFS FOR INVESTORS**

The Company has obtained provisional approval that it is a qualifying company for the purposes of investment under the EIS legislation. The Directors anticipate that the Company will continue to be treated as a qualifying company following the proposed transactions and throughout the 3 year relevant period, although no guarantee can be given in this regard. Provisional approval has been obtained from the HM Revenue & Customs that the New Ordinary Shares should qualify as eligible shares under the EIS legislation. Such approval could enable eligible investors under the relevant legislation who subscribe for New Ordinary Shares to qualify for tax reliefs.

Provisional approval has also been obtained from the HM Revenue & Customs that the provisions of Schedule 28B of the Income and Corporation Taxes Act 1988 will be met and that the New Ordinary Shares issued in the Placing will be a qualifying holding under that Schedule for VCTs.

Details of other relevant taxation provisions are set out in section 13 of Part 6 of this document.

## **RISK FACTORS**

Investing in the Company involves a degree of risk. You should carefully consider the risks and the other information contained in this document before you decide to invest in the Company. You should note that the risks described below are not the only risks faced by the Company, there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

### **Investment risk and AIM**

The Ordinary Shares will be traded on AIM and no application is being made for the admission of the Ordinary Shares to the Official List. AIM has been in existence since 1995 but admission to AIM should not be taken as to imply that there is or will be a liquid market in the Ordinary Shares. AIM is a market designed for small and growing companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may not therefore recover their original investment.

### **Attraction and retention of key employees**

The future development of the Group depends on its Directors and key employees and the loss of the services of any of these individuals could damage the Group's business. The Group is also reliant on the ability of the Group in the future to attract senior employees with the appropriate skills and expertise and the failure of the Group to do so could have a detrimental effect on its development.

### **Intellectual property rights**

The Group currently has a European patent pending on M2G and if the patent fails to be granted then the Group may be unable to protect its technology. Despite precautions which may be taken by the Group to protect its products by applying to register patents to protect the technology, unauthorised parties may attempt to copy its technology. Litigation may be required to protect the Group's intellectual property rights which could result in substantial costs to the Group with no guarantee that the litigation will be successful. Failure to fully protect the Group's intellectual property rights could permit others to appropriate its intellectual property and could adversely affect the Company's future success.

### **Management of growth**

The Directors are anticipating that sales of M2G will increase significantly post-flotation to respond to market opportunities and the ability of the Group to implement its strategy will require effective planning and management control systems. The Group's growth plans may place a significant strain on its management, operational and financial resources. Accordingly, Sabien's future growth and prospects will depend on its ability to manage this growth.

### **EIS and VCT relief**

On the basis of the information provided the Company has received provisional clearance from HM Revenue and Customs that its business qualifies for EIS relief and is a qualifying company for VCTs.

The status of the Ordinary Shares as a qualifying holding for EIS and VCT purposes will be conditional upon the Company continuing to satisfy relevant requirements. Although the Company presently expects to satisfy the relevant conditions contained in the EIS and VCT legislation, neither the Company nor the Directors make any warranty or give any undertaking that relief will be available in respect of any investment in the New Ordinary Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

### **Competitive pressures**

While the Directors believe that M2G will offer a clear commercial benefit in the market place, there is no guarantee that products that will meet a similar need are not being developed in parallel by potential competitors. If this were to happen, the Company could achieve lower revenues than those anticipated by the Directors and could be prevented from exploiting all the opportunities in the market.

### **Key customers and third party relationships**

Sabien has established relationships with a number of industry third parties which the Directors hope to exploit in the future. However, there can be no guarantee that these relationships will generate the revenues anticipated or that the relationships already established will continue in the future. In addition, a large proportion of Sabien's initial revenues have been dependent on one key customer.

### **Key supplier relationships**

Sabien currently outsources the entire manufacturing process for M2G, including assembly, quality control, delivery and installation. As a result, the fulfilment of a customer's order is outside of the Company's direct control. The Company's reputation may suffer if its suppliers are unable to fulfil orders to an acceptable standard of quality or in a timely manner, which may result in the Company achieving lower revenues than anticipated.

### **Entry into new markets**

Sabien's future growth will be highly dependent on its ability to generate business in new sectors and additional geographic markets. While the Directors strongly believe that the areas they are targeting in the medium term will prove rewarding there is no guarantee that the Company will be able to generate the level of sales or profitability anticipated if the costs of entry into and operating in these new areas prove to be higher than expected or demand for the Company's products and services proves to be lower than anticipated.

### **Foreign exchange risk**

Although the Group's operations are currently based in the UK, the Directors are considering various growth opportunities overseas. Fluctuations in exchange rates between currencies in which the Group may operate relative to sterling may cause fluctuations in its financial results both as a result of foreign currency translation and transaction risk.

## PART 3A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SABIEN TECHNOLOGY GROUP PLC

The following is the full text of a report on Sabien Technology Group PLC from Baker Tilly, the Reporting Accountants, to the Directors of Sabien Technology Group PLC.



**BAKER TILLY**

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Hollow Road  
Bury St Edmunds  
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[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
Sabien Technology Group PLC  
5300 Lakeside  
Cheadle Royal Park  
Cheadle  
Manchester  
SH8 3GP

15 December 2006

Dear Sirs

### **SABIEN TECHNOLOGY GROUP PLC (“the Company”)**

We report on the financial information set out in Part 3B. This financial information has been prepared for inclusion in the Admission Document dated 15 December 2006 (“Admission Document”) of Sabien Technology Group PLC on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the Historical Financial Information and in accordance with UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and recognised gains and losses and for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with and in accordance with UK GAAP as described in note 1.

### **Declaration**

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

Yours faithfully

### **Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland



## PART 3B: SABIEN TECHNOLOGY GROUP PLC HISTORICAL FINANCIAL INFORMATION

### BALANCE SHEET

The balance sheet of the Company at 30 September 2006 is as follows:

	<i>Notes</i>	<i>30 September 2006</i>
		£
<b>Current assets</b>		
Cash		1
<b>Net assets</b>		1
Share capital	2	1

### NOTES TO THE FINANCIAL INFORMATION

#### 1 Accounting policies

##### *Basis of preparation*

The company was incorporated on 20 September 2005 as Pimco 2356 Limited, on 5 October 2005 it changed its name to Sabien Group Limited, on 7 November 2006 it changed its name to Sabien Technology Group Limited and on 12 December 2006 it was re-registered as a public limited company with the name Sabien Technology Group PLC. It has not traded and no dividends have been declared or paid. Accordingly no profit and loss account is presented.

The historical financial information has been presented in accordance with the historical costs convention and in accordance with applicable United Kingdom accounting standards.

#### 2 Share capital

On incorporation the authorised share capital of Sabien Technology Group Limited was £1,000 divided into one thousand ordinary shares of £1 each. At incorporation one ordinary share was subscribed and fully paid.

#### 3 Post Balance Sheet Events

On 12 December 2006 Sabien Technology Group PLC acquired the entire issued share capital of Sabien Technology Limited in consideration for the allotment and issue to the Sabien Technology Limited shareholders of ordinary shares in Sabien Technology Group PLC.

On 12 December 2006 Sabien Technology Group PLC acquired the entire share capital of Sabien Technology IP Limited in consideration for agreeing to discharge Sabien Technology Limited's obligations to General Capital Venture Finance Limited under its loan agreement with General Capital Venture Finance Limited.

On the 6 November 2006 the Authorised share capital of the Company was increased to £2,500,000 by the creation of 2,499,000 new ordinary shares of £1 each ranking pari passu in all aspects with the existing ordinary shares. On the same day each ordinary share was subdivided into 20 ordinary shares of £0.05 each.

On 12 December 2006 20,416,644 ordinary shares of £0.05 were issued to facilitate the acquisition of Sabien Technology Limited mentioned above.

## **PART 3C: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SABIEN TECHNOLOGY LIMITED**

The following is the full text of a report on Sabien Technology Limited from Baker Tilly, the Reporting Accountants, to the Directors of Sabien Technology Group PLC.



**BAKER TILLY**

Abbotsgate House  
Hollow Road  
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[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
Sabien Technology Group PLC  
5300 Lakeside  
Cheadle Royal Park  
Cheadle  
Manchester  
SK8 3GP

15 December 2006

Dear Sirs

### **SABIEN TECHNOLOGY LIMITED ("Sabien")**

We report on the financial information set out in Part 3D. This financial information has been prepared for inclusion in the Admission Document dated 15 December 2006 ("Admission Document") of Sabien Technology Group PLC on the basis of the accounting policies set out in note 1.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

### **Responsibilities**

The Directors of Sabien Technology Group PLC are responsible for preparing the financial information on the basis of preparation set out in note 1 to the Historical Financial Information and in accordance with UK GAAP.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Sabien as at the dates stated and of its profits, cash flows and recognised gains and losses and for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the basis of preparation set out in note 1 and in accordance with UK GAAP.

### **Declaration**

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

Yours faithfully

### **Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PART 3D: SABIEN TECHNOLOGY LIMITED HISTORICAL FINANCIAL INFORMATION

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Notes</i>	<i>Period from 5 March 2004 to 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>3 months ended 30 Sept 2006 £'000</i>
<b>Turnover</b>	2	473	3	416
Cost of sales		(124)	(9)	(132)
<b>Gross profit/(loss)</b>		349	(6)	284
Administrative expenses		(65)	(72)	(123)
<b>Operating profit/(loss)</b>	3	284	(78)	161
Interest receivable		–	2	–
Interest payable	4	–	(7)	(14)
<b>Profit/(loss) on ordinary activities before taxation</b>		284	(83)	147
Taxation	6	(54)	11	(34)
<b>Profit/(loss) on ordinary activities after taxation</b>	16	230	(72)	113

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

## CONSOLIDATED BALANCE SHEETS

		<i>As at</i> <i>30 June</i> <i>2005</i> <i>£'000</i>	<i>As at</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>As at</i> <i>30 Sept</i> <i>2006</i> <i>£'000</i>
	<i>Notes</i>			
<b>Fixed assets</b>				
Intangible assets	7	–	2,643	2,610
Tangible assets	8	1	1	2
		<u>1</u>	<u>2,644</u>	<u>2,612</u>
<b>Current assets</b>				
Stocks	9	17	72	29
Debtors	10	–	21	568
Cash at bank and in hand		233	76	203
		<u>250</u>	<u>169</u>	<u>800</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(58)</u>	<u>(464)</u>	<u>(744)</u>
<b>Net current assets/(liabilities)</b>		<u>192</u>	<u>(295)</u>	<u>56</u>
<b>Total assets less current liabilities</b>		193	2,349	2,668
<b>Creditors: amounts falling due after more than one year</b>	12	(3)	(386)	(342)
<b>Provision for liabilities and charges</b>	13	<u>–</u>	<u>(1,876)</u>	<u>(1,876)</u>
<b>Net assets</b>		<u>190</u>	<u>87</u>	<u>450</u>
<b>Capital and reserves</b>				
Called up share capital	14	–	–	–
Share premium account	15	–	–	250
Profit and loss account	16	190	87	200
<b>Shareholders' funds – all equity</b>	17	<u>190</u>	<u>87</u>	<u>450</u>

## CONSOLIDATED CASH FLOW STATEMENT

		<i>Period from 5 March 2004 to 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>3 months ended 30 Sept 2006 £'000</i>
<b>Cashflow from operating activities</b>	18(a)	274	(132)	103
<b>Returns on investment and servicing of finance</b>	18(b)	–	2	–
<b>Taxation</b>		–	(55)	–
<b>Capital expenditure and financial investment</b>	18(b)	(1)	(101)	(1)
<b>Acquisitions and disposals</b>	18(b)	–	(278)	–
<b>Equity dividends paid</b>		(40)	(31)	–
<b>Financing</b>	18(b)	–	438	25
<b>Increase/(decrease) in cash in the period</b>		<u>233</u>	<u>(157)</u>	<u>127</u>
<b>Reconciliation of net cashflow to movement in net debt</b>				
Increase/(decrease) in cash in the period	18(c)	233	(157)	127
Change in net debt resulting from cashflow	18(c)	–	(438)	–
<b>Movement in net debt in the period</b>		<u>233</u>	<u>(595)</u>	<u>127</u>
Opening net debt		–	233	(362)
<b>Closing net debt</b>		<u>233</u>	<u>(362)</u>	<u>(235)</u>



## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

2 Turnover is attributed solely to continuing operations and is derived from the distribution and supply of energy saving products. All turnover arose within the United Kingdom.

### 3 Operating profit

	<i>Period from 5 March 2004 to 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>3 months ended 30 Sept 2006 £'000</i>
--	---	--	--

This is stated after charging:

Depreciation of tangible fixed assets – owned assets	1	–	–
Amortisation of intangible fixed assets	–	11	33
Auditors' remuneration			
– as auditors	–	3	–
– other services	–	–	–
	<hr/>	<hr/>	<hr/>

### 4 Employees

	<i>No.</i>	<i>No.</i>	<i>No.</i>
The average monthly number of persons (including directors) employed by Sabien during the year was:			
Office and management	1	1	2
Sales	–	–	1
	<hr/>	<hr/>	<hr/>

	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Staff costs for the above persons			
Wages and salaries	2	5	50
Social security costs	–	–	5
	<hr/>	<hr/>	<hr/>
	2	5	55
	<hr/>	<hr/>	<hr/>

Directors' remuneration			
Emoluments	2	5	43
	<hr/>	<hr/>	<hr/>

### 5 Interest payable

Secured loan	–	7	14
	<hr/>	<hr/>	<hr/>



## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 6 Taxation

	<i>Period from 5 March 2004 to 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>3 months ended 30 Sept 2006 £'000</i>
Current tax:			
UK corporation tax on profits of period	54	(11)	34
Total current tax	<u>54</u>	<u>(11)</u>	<u>34</u>
Factors affecting tax charge for the period			
The tax assessed for the period is higher than the standard rate of corporation tax for small companies (19%) as explained below:			
Profit/(loss) on ordinary activities before tax	284	(83)	147
Profit on ordinary activities multiplied by the standard rate of corporation tax for small companies (19%)	54	(16)	28
Effects of:			
Expenses not deductible for tax purposes	<u>–</u>	<u>5</u>	<u>6</u>
Current tax charge for the period	<u>54</u>	<u>(11)</u>	<u>34</u>

### 7 Intangible assets

	<i>Intellectual Property £'000</i>
<b>Cost</b>	
At 1 July 2005	–
Acquired with subsidiary (see note 19)	2,154
Other additions	<u>500</u>
At 30 June 2006 and 30 September 2006	<u>2,654</u>
<b>Amortisation</b>	
At 1 July 2005	–
Provision for the year	<u>11</u>
At 30 June 2006	11
Provision for the period	<u>33</u>
At 30 September 2006	<u>44</u>
<b>Net book value</b>	
At 30 September 2006	<u>2,610</u>
At 30 June 2006	<u>2,643</u>
At 30 June 2005	<u>–</u>

## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 8 Tangible fixed assets

	<i>Office equipment £'000</i>
<b>Cost</b>	
At 1 July 2005	1
Additions	1
At 30 June 2006	2
Additions	1
At 30 September 2006	3
<b>Depreciation</b>	
At 1 July 2005	–
Charge for the year	1
At 30 June 2006	1
Charge for the period	–
At 30 September 2006	1
<b>Net book value</b>	
At 30 September 2006	2
At 30 June 2006	1
At 30 June 2005	1

### 9 Stocks

	<i>As at 30 June 2005 £'000</i>	<i>As at 30 June 2006 £'000</i>	<i>As at 30 Sept 2006 £'000</i>
Goods held for resale	17	72	29

### 10 Debtors

	<i>As at 30 June 2005 £'000</i>	<i>As at 30 June 2006 £'000</i>	<i>As at 30 Sept 2006 £'000</i>
Trade debtors	–	–	337
Other debtors	–	21	6
Unpaid share capital	–	–	225
	–	21	568

### 11 Creditors: amounts falling due within one year

	<i>As at 30 June 2005 £'000</i>	<i>As at 30 June 2006 £'000</i>	<i>As at 30 Sept 2006 £'000</i>
Secured loan	–	102	146
Trade creditors	–	–	126
Director's loan account	3	–	–
Corporation tax	55	–	24
Other taxes and social security costs	–	–	94
Other creditors and accruals	–	362	354
	58	464	744

The secured loan is subject to a fixed and floating charge over all property and assets of Sabien present and future. Interest is charged at a weighted average interest rate of 9.56%.

## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 12 Creditors: amounts falling due after one year

	<i>As at</i> <i>30 June</i> <i>2005</i> <i>£'000</i>	<i>As at</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>As at</i> <i>30 Sept</i> <i>2006</i> <i>£'000</i>
Secured loan (see note 11)	–	336	292
Other creditors and accruals	3	50	50
	<u>3</u>	<u>386</u>	<u>342</u>
The secured loan is due as follows:			
In one year or less	–	102	146
In one to two years	–	176	176
In two to five years	–	160	116
	<u>–</u>	<u>438</u>	<u>438</u>

### 13 Provisions for liabilities and charges

	<i>Deferred</i> <i>contingent</i> <i>consideration</i> <i>on acquisition</i> <i>of subsidiary</i> <i>£'000</i>
Balance at 1 July 2005	–
Estimated value of deferred consideration	2,300
Discounting of deferred consideration	(424)
Balance at 30 June 2006 and 30 September 2006	<u>1,876</u>

The provision arises on the acquisition of the share capital of Sabien Technology IP Limited. Further information is contained in note 19.

### 14 Share capital

	<i>As at</i> <i>30 June</i> <i>2005</i> <i>No</i>	<i>As at</i> <i>30 June</i> <i>2006</i> <i>No</i>	<i>As at</i> <i>30 Sept</i> <i>2006</i> <i>No</i>
Authorised:			
Ordinary shares of £1 each	100,000	100,000	–
Ordinary shares of £0.00001 each	–	–	10,000,000,000
	<u>–</u>	<u>–</u>	<u>–</u>
Allotted, called up and fully paid:			
Ordinary shares of £1 each	100	100	–
Ordinary shares of £0.00001 each	–	–	20,416,664
	<u>–</u>	<u>–</u>	<u>20,416,664</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Allotted, called up and fully paid:			
Ordinary shares of £1 each	–	–	–
Ordinary shares of £0.00001 each	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>

On 1 September 2006, Sabien sub-divided its authorised share capital of 100,000 ordinary shares of £1 each into 10,000,000,000 ordinary shares of £0.00001 each. During September 2006 Sabien issued 10,416,664 ordinary shares of £0.00001 each, 10,000,000 at par and 416,664 at £0.60 each. The premium arising on this issue was £249,996.

## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 15 Share premium account

	<i>Share premium account £'000</i>
At 1 July 2005 and 2006	–
Premium on issue of ordinary shares	250
As at 30 September 2006	<u>250</u>

### 16 Profit and loss account

	<i>2005 £'000</i>	<i>2006 £'000</i>
At 1 July	–	190
Profit/(loss) for the period	230	(72)
Dividends	(40)	(31)
At 30 June	<u>190</u>	<u>87</u>
Profit for the period		<u>113</u>
At 30 September		<u>200</u>

### 17 Reconciliation of movement in shareholders' funds

	<i>As at 30 June 2005 £'000</i>	<i>As at 30 June 2006 £'000</i>	<i>As at 30 Sept 2006 £'000</i>
Profit for the period	230	(72)	113
Dividends	(40)	(31)	–
Issue of ordinary shares	–	–	250
	<u>190</u>	<u>(103)</u>	<u>363</u>
Opening shareholders' funds	–	190	87
Closing shareholders' funds	<u>190</u>	<u>87</u>	<u>450</u>

### 18 Cashflows

	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>3 months ended 30 Sept 2006 £'000</i>
<b>(a) Reconciliation of operating profit/(loss) to net cashflow from operating activities</b>			
Operating profit/(loss)	284	(78)	161
Depreciation and amortisation of fixed assets	–	11	33
(Increase)/decrease in stocks	(17)	(55)	43
Increase in debtors	–	(10)	(333)
Increase/(decrease) in creditors	6	–	199
	<u>274</u>	<u>(132)</u>	<u>103</u>

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

18 Cashflows (continued)

	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>3 months</i> <i>ended</i> <i>30 Sept</i> <i>2006</i> <i>£'000</i>		
<b>(b) Analysis of cashflows for headings netted in the cashflow statement</b>					
<b>Return on investment and servicing of finance:</b>					
Interest received	–	3	–		
Interest paid	–	–	–		
	<u>–</u>	<u>3</u>	<u>–</u>		
<b>Capital expenditure and financial investment:</b>					
Purchase of tangible fixed assets	(1)	(1)	(1)		
Purchase of intangible fixed assets	–	(100)	–		
	<u>(1)</u>	<u>(101)</u>	<u>(1)</u>		
<b>Acquisitions and disposals:</b>					
Acquisition of subsidiary	–	(278)	–		
	<u>–</u>	<u>(278)</u>	<u>–</u>		
<b>Financing:</b>					
Secured loan advanced	–	438	–		
Issue of ordinary shares	–	–	25		
	<u>–</u>	<u>438</u>	<u>25</u>		
<b>(c) Analysis of net debt</b>					
	<i>As at</i> <i>1 July</i> <i>2005</i> <i>£'000</i>	<i>Cash</i> <i>flows</i> <i>£'000</i>	<i>As at</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>Cash</i> <i>flows</i> <i>£'000</i>	<i>As at</i> <i>30 Sept</i> <i>2006</i> <i>£'000</i>
Cash at bank	233	<u>(157)</u>	76	127	203
Debt due:					
within one year	–	(102)	(102)	(44)	(146)
after one year	–	(336)	(336)	44	(292)
		<u>(438)</u>	<u>(438)</u>	<u>–</u>	<u>(438)</u>
	<u>233</u>	<u>(595)</u>	<u>(362)</u>	<u>127</u>	<u>(235)</u>

## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 19 Acquisitions

On 24 May 2006 Sabien Technology Limited acquired 100% of the issued share capital of Sabien Technology IP Limited.

Sabien Technology IP Limited was dormant at the date of acquisition. Through the acquisition Sabien Technology Limited have secured custody and legal rights to intellectual property.

The fair value of the consideration can be summarised as follows:

	<i>£'000</i>	<i>£'000</i>
Cash – initial consideration		278
Deferred contingent consideration		
– Due on unit sales to 30 June 2007	112	
– Due on unit sales to 30 June 2008	337	
– Due on unit sales to 30 June 2009	641	
– Due on unit sales to 30 June 2010	786	
	<u>          </u>	1,876
Provision for deferred contingent consideration		<u>2,154</u>

The additional consideration is payable dependent upon unit sales for a period of four years from the date of acquisition.

The amount recognised is based on the directors' assessment of unit sales likely in the four years following acquisition.

The deferred consideration has been discounted from the anticipated settlement date at Sabien's weighted average cost of capital of 9.56%.

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 Sabien Technology IP Limited was dormant at the date of acquisition the directors have assessed that the fair value of the intellectual property acquired equates to the fair value of the purchase consideration. As such no goodwill arises on consolidation. The assets and liabilities of Sabien Technology IP Limited have been consolidated at their fair value to the group, as set out below:

	<i>Initial book value £'000</i>	<i>Fair value adjustment £'000</i>	<i>Fair value at date of acquisition £'000</i>
Intangible fixed assets			
– Intellectual property	–	2,154	2,154
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	–	2,154	2,154
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	–	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
Net assets	–	2,154	2,154
	<u>          </u>	<u>          </u>	<u>          </u>
Fair value of consideration			2,154
Goodwill arising on acquisition			<u>          </u>

## NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

### 20 Financial Instruments

#### (1) Maturity profile of financial liabilities

Details of the maturity of the secured loan are disclosed in note 12.

#### (2) Interest rate profile

	<i>Year ended 30 June 2005 £'000</i>	<i>Year Ended 30 June 2006 £'000</i>	<i>Period Ended 30 Sept 2006 £'000</i>
Cash at bank and in hand	233	76	203
Fixed rate secured loan	–	(438)	(438)
Net borrowing	<u>233</u>	<u>(362)</u>	<u>(235)</u>

Interest on cash at bank and in hand is based on base rates.

The weighted average interest rate on the secured loan over the life of the loan is 9.56%.

#### (3) Fair values of financial assets and liabilities

The estimated fair value of financial assets and liabilities is not considered to be significantly different from their book values.

#### (4) Currency exposure

The group's operations are not exposed to currency fluctuations as it does not hold financial assets or liabilities denominated in foreign currencies.

#### (5) Borrowing facilities

At 30 September 2006, the group had no further committed or undrawn borrowing facilities.

### 21 Transaction with directors

Sabien operates a loan account with A O'Brien.

The period end and maximum balances due to A O'Brien for each period are as follows:

	<i>Period end balance £'000</i>	<i>Maximum balance outstanding £'000</i>
30 June 2005	3	(28)
30 June 2006	–	(36)
30 September 2006	–	–

During the year ended 30 June 2006, Sabien was advanced £438,750 under a commercial loan agreement from General Capital Venture Finance Limited, a company in which Mr J Hill is a director. General Capital Venture Finance Limited is a wholly owned subsidiary of General Capital Group plc, a company in which Mr J Hill is a director and a shareholder. This advance was made on normal commercial terms and the repayment profile was an initial six months "interest only" period followed by a thirty month capital and interest repayment period. The capital balance outstanding as at 30 June 2006 and 30 September 2006 was £438,750.

### 22 Post Balance Sheet Events

On 12 December 2006 the entire issued share capital of Sabien was acquired by Sabien Technology Group PLC. The consideration for the acquisition was the allotment and issue to the Sabien shareholders ordinary shares in Sabien Technology Group PLC.

## PART 4: PRO FORMA STATEMENT OF NET ASSETS

The following is the full text of a report on Sabien from Baker Tilly, the Reporting Accountants, to the Directors of Sabien.



**BAKER TILLY**

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Hollow Road  
Bury St Edmunds  
Suffolk IP32 7FA  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
Sabien Technology Group PLC  
5300 Lakeside  
Cheadle Royal Park  
Cheadle  
Manchester  
SH8 3GP

15 December 2006

Dear Sirs

### **SABIEN TECHNOLOGY GROUP PLC (“the Company”)**

We report on the pro forma financial information (the “Pro forma Financial Information”) set out in Part 4 of the Admission Document dated 15 December 2006 (“Admission Document”) of Sabien Technology Group PLC, which has been prepared on the basis described on page 40, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing the financial statements for the period ending 30 June 2006.

This report has been prepared in accordance with the requirements of paragraph 20.2 of Annex I of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility that might arise under paragraph 20.2 of Annex I of the Prospectus Rules if it had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, and given solely for the purposes of complying with paragraph 20.2 of Annex I of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

### **Responsibilities**

It is the responsibility of the directors of Company to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I of the Prospectus Rules as applied by Part (a) of Schedule 2 to the AIM Rules.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Rules as applied by Part (a) of Schedule 2 to the AIM Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.



## **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

## **Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

## **Declaration**

We are responsible for this report as part of the Admission Document as if part (a) of Schedule Two to the AIM Rules apply and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

## **Baker Tilly**

Regulated for audit work by the Institute of Chartered Accountants of Scotland

## PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following pro forma statement of net assets of Sabien Technology Group PLC has been produced to illustrate the impact of the acquisition of Sabien Technology Limited and the Placing which will have occurred since 30 September 2006 as if it had occurred on 30 September 2006. The pro forma financial information is based on:

- i) the financial information relating to Sabien Technology Group PLC as at 30 September 2006 based on the Financial information included in part 3B to the admission document;
- ii) the financial information relating to Sabien Technology Limited as at 30 September 2006 based upon the Financial information included in part 3D to the admission document; and
- iii) the estimated net proceeds of the Placing.

adjusted for the matters set out below:

**The pro forma statement of net assets has been prepared for illustrative purposes only. Because of its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Enlarged Group.**

	<i>Net assets of Sabien Technology Group PLC as at 30 September 2006 £'000</i>	<i>Net assets of Sabien Technology Limited as at 30 September 2006 £'000</i>	<i>Funding £'000</i>	<i>Pro forma net assets of Enlarged Group following the Placing £'000</i>
<b>Fixed assets</b>				
Intangible assets	–	2,610	–	2,610
Tangible assets	–	2	–	2
	–	2,612	–	2,612
<b>Current assets</b>				
Stocks	–	29	–	29
Debtors	–	568	–	568
Cash at bank and in hand	–	203	2,786	2,989
	–	800	2,786	3,586
<b>Creditors – amounts falling due within one year</b>	–	(744)	–	(744)
<b>Net current assets</b>	–	56	2,786	2,842
<b>Total assets less current liabilities</b>	–	2,668	2,786	5,454
<b>Creditors – amounts falling due after more than one year</b>	–	(342)	(300)	(642)
<b>Provision for liabilities and charges</b>	–	(1,876)	–	(1,876)
<b>Net assets</b>	–	450	2,486	2,936

### Notes to the pro-forma financial information

- 1 The pro forma statement of net assets of the Enlarged Group is shown as if the Group had acquired the entire issued share capital of Sabien Technology Limited as at 30 September 2006.
- 2 The pro forma statement of net assets of the Enlarged Group is shown as if the Placing had taken place on 30 September 2006. The pro-forma assumes that the net proceeds of the Placing, receivable by the Group, will amount to £2,786,000 net of costs amounting to £714,000 inclusive of VAT. The pro forma also includes the new funds received by way of the new loan notes (new loan notes £800,000 less existing loans refinanced of £500,000).
- 3 No adjustment has been made for any movement in net assets of Sabien Group Technology PLC since 30 September 2006 or Sabien Technology Limited since 30 September 2006.

# PART 5: TECHNICAL REPORT ON M2G

## 1. INTRODUCTION

SgurrEnergy Ltd is an independent engineering consultancy for the renewable energy sector. SgurrEnergy Ltd provides assessment, due-diligence, development, design and project management services for renewable energy projects, including; wind, bio-energy, hydro-energy, hydrogen, marine, solar and integrated hybrid technologies. With a client base of over 80 organisations from commercial blue-chip companies to SME's, government departments and communities, we are able to deliver a high value service attuned to the needs of the customer. This is delivered through staff with over 100 years experience in the energy provision industry.

SgurrEnergy Ltd has been instructed by Bell Lawrie and Brewin Dolphin to provide a technical assessment of the claims made by Sabien, principally concerning the M2G boiler control unit. Sabien intends to float on AIM a market of the London Stock Exchange. Sabien have been marketing the M2G product since 2004 and claimed sales of approximately 880 units since March of that year. The company has installed its product in the premises of a number of blue-chip companies which operate from a large number of commercial properties each requiring space heating and hot-water supply which are derived in the main from commercial boilers running on gas and light fuel oil. Sabien have marketed its product directly to these companies and to the facility management companies which they employ to manage the services within their buildings.

In both installations for field trials and in permanent installations the M2G has produced substantial savings in fuel without loss of performance or loss of reliability of the heat and hot water systems. This has led to substantial cost savings and short payback timescales. The relatively low cost and ease of installation of the unit make it an attractive proposition for the market. The simplicity of by-passing the unit and returning the boiler controls to their original configuration gives assurance to the facility managers of the sites in which the units are installed who are responsible for the quality of service obtained from the space heating and hot water plant.

Sabien claims:

- the M2G is ready for commercialisation;
- the proposals for high volume manufacture of the system to meet sales are achievable;
- fuel reduction and payback timescale estimates are realistic; and
- production and installation costs are realistic.

This report attempts to assess these claims.

## 2. AIMS AND SCOPE

### 2.1 Aims

The primary aims of this assessment to be as follows:

- To assess the claim made by Sabien that the M2G is ready for commercialisation from a technical viewpoint; and
- To perform due diligence on the case studies which Sabien have submitted in order to assess the accuracy of the claimed energy and financial savings gained from utilising the M2G; and
- To review the technology and how the M2G operates in conjunction with the existing boiler controls in order to optimise the efficiency of the boiler and thereby minimise fuel consumption and operational costs of the boiler; and
- To examine the production costs and costs associated with a typical installation to qualify the profit element claimed in the internal Sabien forecasts; and

- To examine potential for applying the device in other applications and potential areas of technical development that could expand the market for the device.

## 2.2 SCOPE

The material made available to SgurrEnergy Ltd explicitly states that substantial fuel savings can be accomplished by the fitting of an M2G unit to the controls of a commercial light oil or gas fired boiler. The claims are made for space heating and hot water boilers with on/off controls and no claim is made for boilers with fully modulating boiler controls or for steam raising boilers. The claimed savings are between 15 per cent. and 35 per cent.

A case study by the Down and Lisburn HSS Trust has been provided which describes the savings from a number of installed systems based on fuel consumption figures from the year 2000, prior to the installation of the M2G controllers and the year 2002, after the installation of the units. The fuel consumption figures have been normalised by using climatic data and correcting the consumption figures using 'degree days' for each of the two years in question.

A technical description of how the M2G operates in conjunction with the existing boiler controls to accomplish the fuel savings has been supplied.

Profit and loss projections for the Company including projected costs for the production and installation of the M2G have been submitted.

A site visit was undertaken to a customer's facility in Edinburgh in which several M2Gs are installed. The visit was hosted by the facilities manager for the building who recounted his experience of installing and maintaining the units as well as the performance of the heating and hot water systems in typical multi-boiler installations.

A site visit to the production facility in Lisburn of the company who manufacture, package and ship the M2G device under contract on behalf of Sabien was made in order to assess the potential for achieving the necessary forecast production.

The data provided as well as the site visits and information gained by interview described above is the basis of the investigative work undertaken by SgurrEnergy in respect of the flotation of Sabien.

## 3 TECHNOLOGY REVIEW

### 3.1 The purpose of the Sabien M2G boiler controller

Since their first installations in 2000, Sabien have sold approximately 880 M2G boiler controllers. The controller works with the existing boiler controls in a relatively unobtrusive manner in order to optimise the fuel efficiency of the boiler.

### 3.2 Operation of the M2G Boiler controller

The M2G is a micro-processor based product comprised of a single circuit board housed in a small polypropylene enclosure. The circuit board is connected by two part multi-pin connectors to an electrical terminal strip through which it connects to the boiler to which it is installed.

The M2G has several connections to the boiler these are:

- The 230vac power supply derived from the boiler's time clock controlled power inlet.
- The existing boiler thermostat (alternatively the building energy management system or BEMS thermostatic switch). This is a two wire series connection.
- The boiler burners gas supply solenoid valves. The M2G has inputs which connect to and monitor the state of these valves.

In addition the M2G also comes supplied with two temperature sensors. These are contact devices which are clamped to the hot water feed and return pipes as close to the point at which they connect to the boiler as is practicably possible.

The M2G does not directly control the firing of the boiler. It does not initiate firing through the thermostat input to the existing boiler controls nor does it operate the gas burner solenoid valves. The connection to these is purely to monitor the state of the valves to determine if the existing boiler controls are firing the burner.

Since the M2G does not directly control the firing of the boiler it can be considered a passive external piece of equipment in much the same way as a thermostat and as such does not present warranty issues or more importantly does not effect boiler safety.

The M2G has two modes of operation, in the first mode of operation the M2G passively monitors the operation of the boiler as it brings the building in which it is installed up to temperature set-point. During this period the M2G monitors the temperature of the inlet and outlet water connections to the boiler and the state of the gas supply solenoid valves which connect to and supply gas to the boilers burners. During this mode of operation the M2G's series connection between the boiler thermostat is closed and therefore the operation of the boiler is precisely the same as the operation would be if the M2G had not been installed.

The boiler and the M2G share a common power supply which is switched by the boiler time clock. When the M2G is switched on it is initially in monitoring mode. The M2G remains in monitoring mode until it senses that the building has reached temperature setpoint. The M2G establishes that the setpoint has been reached by sensing the frequency of the switching of the thermostat, the firing pattern of the boiler, through monitoring the gas supply solenoid valves, and the differences in boiler feed and return water temperatures. Normally this occurs in the morning when the BEMS or the boiler controls time clock initiates heating of the building prior to the arrival of the occupants.

During this time the M2G establishes the characteristics of the boiler and the load (building) and parameterises the internal control algorithms which will be brought into operation to modify the boiler operation to reduce fuel consumption.

The M2G has a second mode in which it operates once the building has reached the required temperature set point. This is detected by the M2G through the lack of activity of the thermostat and the gas solenoid valves. During this mode the M2G interacts with the boiler controls to keep the building at set-point with minimal boiler firing. The M2G does this by opening the series connection with the boiler thermostat to prevent the boiler coming into operation. In other words the M2G can block the operation of the thermostat as 'seen' by the boiler. It should be noted that the M2G cannot initiate a boiler firing due to the connection arrangement (it is not designed to initiate firing in any case). The M2G blocks the thermostats firing 'request' when the software algorithm dictates that there is sufficient stored thermal energy to service the heat requirements of the building without additional firing. This decision on the part of the M2G involves the inlet and outlet temperature measurements and the boiler and load characteristic derived from the measured data obtained during the monitoring mode.

By blocking the signal from the thermostat preventing firing of the boiler the M2G saves on fuel. As part of the safety requirements for boiler operation it is normal to purge the boiler with air for a short period prior to ignition to expel any residual gas or fuel vapours which may have built up since the previous burn has ceased. This is intended to ensure that an explosive mix of vapour and air is not present at ignition. As a consequence of the air purge a cooling of the boiler occurs. By reducing the number of firings of the boiler burners the number of air purges is reduced lowering electrical consumption of the boiler but more importantly from an energy conservation perspective lessening the cooling effect of the purging and therefore further reducing the need to fire the burners.

The reduced number of firings has a potential to reduce maintenance costs and extend the life of the boiler.

Since the M2G re-assesses the boiler characteristics each time it is switched on it takes account of variation in the performance of the heating system over time. The change in performance can be due to a number of factors such as coating and furring of pipe work and radiators, changes in use of the building, or the number of people in it, or from the thermal output of installed equipment. The M2G does not 'learn' from historic data but only adjusts its performance bases on the daily requirements.

The monitoring phase after each power up of the unit is used to calculate the parameters which are subsequently used in the optimisation of boiler firing. This parameterisation occurs only after power up of the unit which is normally in the morning. If the temperature set-point of the building is changed during the day the M2G will continue to regulate firing according to the original set-point which means that the temperature in the building will not track the new set point until the power to the unit has been cycled which would normally occur overnight.

In many installations the boiler will not be directly connected to a thermostat but will be connected to a switch controlled by the Building Energy Management System. In these installations the M2G is connected in series with the BEMS switch contacts in a similar fashion to the thermostat arrangement and operates in exactly the same way as if connected to thermostat.

In multi-boiler installations one M2G is connected to each boiler in exactly the same way as in single boiler applications. Due to the daily parameterisation of the M2G controls each boiler's operation is optimised in the context of the operation of the boiler arrangement as a whole and there is no need for any inter-wiring or communications between the M2Gs to attain fuel savings. The effect of the input from other boilers in the installation is 'experienced' through the monitoring of the effort required by the host boiler to effect it's operational environment. This being said it is possible that further savings could be made if there was direct interaction between the M2G control algorithms and exchange of temperature and firing data via a master controller or a communications link between the M2Gs.

If an M2G unit fails a simple short circuit applied across it's thermostat terminals will effectively return the boiler operation back to the arrangement that was in place before installation of the M2G. In a multi-boiler application the failure or switching off of a boiler will not effect the performance of the M2G, the boiler it is installed on may have to provide more output but the operational parameters of the M2G will continue to be valid as the characteristics of the boiler and associated pipe work and radiators remain the same.

### 3.3 **Life cycle of the technology of the components of the M2G Boiler controller**

The M2G is an Intel 8051 micro-controller based electronic device with 32KB of flash memory and a further 2KB of EEPROM. The application software in it's current state uses approximately 42 per cent. of the memory capacity leaving 58 per cent. for future software development. The developer has stated that it is very unlikely that they will exceed the capacity in the future development of the product.

The application code is written in the C++ programming language and the compiled code is stored in the flash memory on the M2G. Since the application code is embedded in a compiled form it would be very difficult, if not impossible, to reverse engineer the control algorithm.

Both the programming language C++ and the Intel micro-controller are very widely utilised, main stream established products. In the event of the micro-controller or peripheral electronics becoming obsolete it would be a relatively straight forward and inexpensive task to migrate the M2G to new technology and the process will be widely supported due to the number of embedded systems using the same technology.

The manufacturers have published technical guidelines for the migration of code between 8051 micro-controller variants to ease this process and migration to a different micro-controller is unlikely to entail costs in excess of £5,000 due the ease of this process using ECAD (Electronic Computer Aided Design) software.

### 3.4 **Installation of the M2G Boiler controller**

The installation of the M2G requires the following operations;

- Mounting of the M2G unit on or near the boiler.
- Disconnection of one wire from the existing thermostat or BEMS switch contact.
- Connection of the existing wire from the thermostat or BEMS switch contact to a terminal on the M2G.

- Connection of a wire from the M2G terminal to the Boiler controls terminal from where the original thermostat or BEMS switch contact wire was disconnected to complete the series connection of the M2G into the thermostat-boiler circuit.
- Connection of a single wire from the positive or live side of each gas burner supply solenoid.
- Mounting, using clamps, of two temperature sensors to the hot water feed and return of the boiler.
- Connection of live, neutral and earth to the boiler power supply, the live to be taken from the output side of the boiler time switch.

The complexity of the installation varies slightly according to the type of boiler. The main differences are between atmospheric or pressurised boilers and boilers with single stage and two stage burner arrangements. Provided the installer is familiar with the boiler type or has a good level of experience the time taken to install would not vary greatly. The skills required by the installer would be primarily electrical however knowledge of the gas and fuel oil and boilers is essential for the testing of the finished installation. Ideally the installer would be from a boiler maintenance background with strong electrical skills.

The time stated in the literature for installation is given as 90 minutes and the cost is given as £250 which includes the cost of health and safety related activities and documentation associated with the installation. These activities may include some of those stated below;

- Site induction – typically one hour in class room or using PC based interactive multi-media, this needs only to be undertaken by each installer once per site or once per client organisation.
- Preparation and submission of method statements and risk assessments – generic documents can be developed but will need to be tailored to be site specific for each submission.
- As-built documentation for the site operations and maintenance manuals – these can be based on generic documents for each boiler type.
- Test sheet or commissioning certificate for hand-over of the modified boiler.

Some or all of these documents and induction may be needed depending on the client's requirements at specific sites. Some UK sites require specific health and safety training, typically Safety Passport Training accredited by the Engineering Construction Industry Training Board (ECITB). The cost for installation should be sufficient to take account of these requirements.

#### **4 CASE STUDY BY THE DOWN AND LISBURN HSS TRUST**

Robert Spence of Down & Lisburn HSS Trust has produced a case study detailing the performance of a number of M2Gs installed at the Trust's sites. The Trust installed M2G units in 2002. The study titled 'Evaluation of the M2G System – A boiler energy management load compensating sequence control' describes the operation of the units and provides a comparison of fuel consumption at the Trusts buildings before and after installation of the M2G. The consumption figures for the year 2000 are compared to the equivalent figures for the 2002. The figures are corrected to take account of the temperature variations by using the number of degree days\*\* to calculate the consumption per degree day for each year. This allows direct comparison of the fuel consumption for each establishment before and after installing the M2G.

SgurrEnergy obtained temperature data for the years 2000 and 2002 from the UK Met Office in order to carry out an independent correction of the raw fuel consumption data which was supplied by Robert Spence (the case study did not provide these values). The reference temperature for the calculation of degree days used is 18°C, which is the accepted temperature for these types of buildings.

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\*\* degree days are a technique for normalising statistics used in the evaluation of the effectiveness of heating in buildings. A definition of degree days can be found at [http://www.esru.strath.ac.uk/Reference/concepts/degree\\_days.htm](http://www.esru.strath.ac.uk/Reference/concepts/degree_days.htm).

The tables below give the figures from the report and from calculations carried out by SgurrEnergy.

*SgurrEnergy Calculated per cent. saving*

Natural Gas Building	Degree days at 18° C base							Saving (%)
	Year 2000			Year 2003				
	Consumption (mWh pa)	Degree Days	Consumption (kWh per degree day)	Consumption (mWh pa)	Degree Days	Consumption (kWh per degree day)		
Laurelhill House	557.34	3388.1	164.50	392.09	3194.95	122.72	25.40	
Seymour House	854.74	3388.1	252.28	718.73	3194.95	224.96	10.83	
Lindsay House	182.48	3388.1	53.86	138.99	3194.95	43.50	19.23	
Lisburn Adult Training Centre	613.50	3388.1	181.07	409.75	3194.95	128.25	29.17	

*Down & Lisburn HSS Trust Calculated per cent. saving*

Natural Gas Building	Degree days at 18° C base			Saving (%)
	Year 2000		Year 2003	
	Consumption (mWh pa)	Consumption (mWh pa)	Consumption (mWh pa) corrected for degree days	
Laurelhill House	557.34	412.99	25.9	
Seymour House	854.74	750.22	12.2	
Lindsay House	182.48	145.59	20.2	
Lisburn Adult Training Centre	613.50*	446.10	27.3	

\* the figure supplied by the Trust for Lisburn adult training centre for the year 2000 consumption in mWh differed from that used in the evaluation report, the supplied figure was 441.56 which yielded a percentage saving figure of 1.59 per cent. from the SgurrEnergy calculation. Using the figure from the report, 613.5 yields the figure in the table above which compares reasonably well if the potential variance in temperature data is taken into consideration.

The raw fuel consumption figures for installation using oil fired boilers were not available for evaluation.

Although there are slight variations in the percentage savings these are likely to be due to the temperature data used. The temperature data used by the Trust was measured at the sites; the temperature data obtained from the UK Met Office came from the meteorological site at Hillsborough and would be expected to differ from that measured at the sites by a small amount.

From the supplied data and our calculations SgurrEnergy are satisfied that the energy savings illustrated in the case study are valid and that the M2G can be expected to produce similar results in similar applications.

## 5 MANUFACTURING FACILITIES & SCALING OF PRODUCTION

A site visit was conducted on 22 September 2006 to the Lisburn production facility of the company who manufacture, test, package and ship the M2G under contract on behalf of Sabien.

The production company was registered in 1992 and started trading in 1995. The company has ISO 9000 accreditation have approximately 20 full time staff. They carry out design and production of components and finished electronic products for a range of clients and industries giving them the security of a diverse market. The client base includes telephone communication and exchange products including exchange test equipment as well as automotive electronics and modules for audio visual equipment. As well as production and testing of electronic equipment the company provides a prototyping service for clients and advises clients on tailoring their designs for mass production and automatic testing.

The company carries out all of the procurement of component parts, assembly and test of the M2G electronics and assemble the finished product in the unit housing. They also produce the electronic temperature sensor for the M2G. The finished M2G are packaged along with the product literature and temperature sensors and stored at their premises. The units are dispatched from here directly to the client on instruction from Sabien.

The production process at Lisburn is carried out as a batch process as demand dictates. The units are produced in short production runs of typically 50 to 100. The production of the units consists of a number of processes which are mainly fully automated using modern computer controlled equipment.



The initial phase of production starts with cleaning the board which is carried out by machine. Circuit boards are then screen printed with adhesive or a solder and flux compound according to the type of product. The facility has high speed automatic component insertion machines which populate the prepared boards with components after which the components are soldered. The soldering process is carried out automatically, the method depending on the type of circuit board technology used. The two processes are solder flow bath or oven curing of screen printed flux. The board is then water cleaned to remove the corrosive flux residue. This improves the presentation of the board but more importantly prevents the corrosive flux residue from shortening the life of the board by causing deterioration of electrical connections over time. Manually mounted components are then mounted on the device. In the case of the M2G the manually mounted components are the power supply transformer and LEDs.

The circuit boards then undergo visually inspection followed by a 'soak' test in which the boards are left switched on for a number of hours to check the integrity of the power supply units. Multiple units are soak tested in parallel. The units are then connected to the temperature probes and a computer test rig for an integrated functional test in which an operator initiates a number of computer software controlled and monitored tests. The results of the tests are recorded on the computer and a serial number is assigned to the board and probes as part of the quality control process to ensure traceability of future faults.

The M2G is based on 8051 micro-controller which is a programmable device which runs application software which gives the M2G it's functionality. In order to produce the finished M2G product the micro-controller has to be loaded with the application software. Previously this was carried out externally but will in future be carried out as part of the production process.

The production process is highly integrated and automated; the set-up of the machines on the production lines involves the loading of software files which are in an industry standard format which describes the specifics of the product and production operations involved with manufacturing the product. These software files contain the information required to produce the circuit board, the set-up parameters for the board preparation and component insertion machinery. This ensures that the machinery can be set-up quickly to carry out a production run and importantly that the devices are produced in a consistent way from batch to batch. If the need arose to use an alternative production facility the process would be comparatively simple as the required data is contained in the files.

From the observations made by SgurrEnergy during the site visit it is our opinion that the production facilities are of a high standard and that they have sufficient capacity to meet and exceed the forecast demand for the product.

## **6 SITE VISIT AND CLIENT FACILITIES MANAGER INTERVIEW**

Sturrock Power the facilities management company hosted a site visit to the customer's facility in Edinburgh. The building heating system has six boilers each of which are fitted with M2Gs. The facilities manager described his initial scepticism of the claims for the unit as he has had previous experience of boiler optimiser systems in the past. Many of these systems are based purely on timing devices which disable the boilers and produce fuel consumption reductions by reducing the heating of the building. The facilities manager recounted that on fitting such systems the number of call outs to his company due to complaints about the heating in the buildings from the occupants rose sharply which normally led to the removal of the units. The experience with the M2G contrasted sharply with this and the initial trial was cut short due to the successful results and the product was rolled out across the customer's portfolio of premises.

To date there has not been a failure of an M2G unit in the installations for which Sturrock Power are responsible. The installation of the units was carried out by Sturrock's own staff and no significant difficulties were experienced. Sturrock Power is very positive about their experience with the M2G and intend to use it where ever possible in the buildings under their care.

## **7 POTENTIAL APPLICATIONS AND DEVELOPMENTS**

The M2G has potential to be applied to heating or cooling devices that are circulating, closed loop\* feed and return systems with discrete controls i.e. on/off, non modulating controls, and where there is a significant heat capacity which can be made use of to supply the environment during short excursions from temperature set-point. In addition the circulating fluid or gas would have to be single phase and not change state during the process i.e. not change state by condensing or evaporating. It is also critical that the operation is periodic and that the temperature set-point during an operational period does not change. The periodic operation affords the M2G the opportunity to characterise the process and implement the optimise operation on this basis.

Most cooling plant makes use of the latent heat associated with the change of state of refrigerant gas and therefore would not be appropriate as an application for an M2G. There are industrial heating and cooling applications used in the food and chemical industries where the process is heated via the flow of fluid through heat exchangers. By installing a variant of the M2G on the flow and return of the heat exchanger and monitoring the activity of the controls it may be possible to reduce the energy requirements of such systems, however the system would have to have a significant thermal capacity to optimise the heat exchange system by converting stored energy rather than using energy from the power supply to maintain temperature set-point. Utilisation of an M2G derived product for these applications is likely to be on a bespoke basis and the opportunity of mass marketing of a standard product is limited.

An M2G could be developed for the domestic market but the point of sales price would have to be considerably reduced and the savings would be less as the operation of domestic heating systems is often regulated by the user to save energy when heating is not required or areas of the home are unoccupied. The cost of installation would not be significantly different for a domestic installation and a commercial installation creating further difficulty in making the device cost effective to the domestic user.

Sabien have stated that they are not planning on pursuing the domestic market.

Sabien are considering developing a master controller to provide hierarchical control of the M2Gs in multiple installations. This device would connect to the cluster of M2Gs using the existing serial communication port on the device and could provide further fuel savings by exchanging temperature information between the devices and gaining improved characterisation of the installation by monitoring the firing of the complete boiler array. There is potential for the master controller to be integrated with Building Energy Management (BEM) systems using data links. This could allow operational and diagnostics information to be exchanged between the systems.

## **8 CONCLUSIONS**

In the opinion of SgurrEnergy Ltd, the Sabien M2G product is ready for commercialisation from a technical perspective. We have found that the production facilities have sufficient capacity to meet the forecast demand for the product. The costs for installation and production of the device are realistic in our opinion. We have examined the case study describing the fuel savings obtained by the Down & Lisburn HSS Trust and, after making independent temperature corrections, have concluded that the claimed savings are accurate within reasonable tolerances based on the supplied information.

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\* It could be possible to develop a device for combination boilers but the device would have to be connected in a way that could detect and distinguish between firing due to hot water demand and firing to meet heating requirements.

## PART 6: ADDITIONAL INFORMATION

### 1. The Company

- 1.1 The Company was incorporated and registered in England and Wales on 20 September 2005 under the Act as a private company limited by shares with the name Pimco 2356 Limited and with registration number 5568060. On 5 October 2005 the name of the Company was changed to Sabien Group Limited and on 7 November 2006 to Sabien Technology Group Limited. On 12 December 2006 the Company re-registered as a public limited company with the name Sabien Technology Group PLC.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office and principal place of business is at 5300 Lakeside, Cheadle Royal Park, Cheadle, Manchester SK8 3GP. The Company's telephone number at its registered office is +44 (0) 161 246 6034.
- 1.4 The liability of the members of the Company is limited.

### 2. Subsidiaries

The Company has two wholly owned subsidiaries, Sabien Technology Limited and Sabien Technology IP Limited. Sabien Technology Limited was incorporated and registered in England and Wales with registered number 5065610 and registered address 5300 Lakeside, Cheadle Royal Park, Cheadle, Manchester, SK8 3GP. Sabien Technology IP Limited (formerly Taran Systems Limited) registered in Northern Ireland with registered number NI26200 and registered address c/o Carson McDowell, Murray House, Murray Street, Belfast BT1 6DN. Details of the subsidiaries are as follows:

<i>Company</i>	<i>Date of Incorporation</i>	<i>Activity</i>	<i>Country of Registration</i>	<i>Ownership (%)</i>
Sabien Technology Limited	5 March 2004	Active	England	100
Sabien Technology IP Limited	7 January 1992	Active	Northern Ireland	100

### 3. Share capital

- 3.1 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, one of which was issued credited as fully paid to the subscriber to the Company's memorandum of association.
- 3.2 On 6 November 2006 by or pursuant to resolutions of the Company passed on that date:
  - 3.2.1 the authorised share capital of the Company was increased from £1,000 to £2,500,000 by the creation of an additional 2,499,000 new ordinary shares of £1 each;
  - 3.2.2 each of the issued and unissued ordinary shares of £1 each in the capital of the Company was subdivided into 20 Ordinary Shares of £0.05;
  - 3.2.3 for the purposes of and pursuant to section 80 of the Act, the Directors were generally and unconditionally authorised to allot relevant securities (as defined in section 80(2) of the Act) up to a maximum aggregate nominal amount of relevant securities of £2,499,999; provided that this authority will expire on the date being five years from the date on which this resolution is passed, but the Company may before this authority expires make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the Directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired; and
  - 3.2.4 for the purposes of and pursuant to section 95(1) of the Act, the Directors were given power to allot equity securities (within the meaning of section 94 of the Act) pursuant to the authority conferred by the resolution referred to in paragraph 3.2.3 above as if section 89(1) of the Act did not apply to the allotment provided that such power shall expire on the date being five years from the date on which this resolution is passed unless previously

renewed, varied or revoked by the Company in general meeting but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired.

3.3 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraphs 3.2.4 above.

3.4 The Company's authorised and issued ordinary share capital, at the date of this document is and it is expected to be immediately following the Placing will be as follows:

	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>Amount</i>	<i>Number of Ordinary Shares</i>	<i>Amount</i>	<i>Number of Ordinary Shares</i>
Authorised	£2,500,000.00	50,000,000	£2,500,000.00	50,000,000
Issued and fully paid	£1,020,883.20	20,416,664	£1,328,525.55	26,570,511

3.5 Save as disclosed in this Part 6:

3.5.1 no shares or loan capital of the Company or any of its subsidiaries has within the three years preceding the date of this document been issued or agreed to be issued or is now proposed to be issued fully or partly paid, for such or any other consideration or has been purchased by the Company or any of its subsidiaries;

3.5.2 no commissions, discounts, brokerages or others special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital; and

3.5.3 no share or loan capital of the Company, or of any other company within the Group, is under option or has been agreed conditionally or unconditionally to be put under option.

3.5.4 Pursuant to the Facility Agreement referred to in paragraph 10.18 of this Part 6, GCVF has agreed to provide the Company with an £800,000 loan facility. The amount outstanding under the Facility is convertible into Ordinary Shares at any time prior to the third anniversary of Admission at the Placing Price at the option of GCVF. In the event that GCVF called for the conversion of the full amount of £800,000 potentially outstanding under the Facility this would result in the issue of 1,538,462 Ordinary Shares to GCVF.

#### **4. Memorandum and articles of association**

4.1 The memorandum of association of the Company provides that the Company's principal object is to carry on business as a holding company. The objects of the Company are set out in full in clause 4 of the memorandum of association.

4.2 The Articles contain, *inter alia*, provisions to the following effect:

##### **4.2.1 Voting Rights**

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles and or any resolution authorising the creation of such shares, on a show of hands every member who is present in person shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share held by him.

##### **4.2.2 Transfer of Shares**

(a) The shares are in registered form but, notwithstanding any other provision of the Articles, a member is entitled to transfer his shares and other securities by means of a relevant system as referred to in the CREST Regulations including the relevant

system of which CRESTCo is the operator. Any provision of the Articles which is inconsistent with the holding of shares in a uncertified form, the transfer of shares by means of such a relevant system or the CREST Regulations shall, to that extent, not apply.

- (b) Any member may, subject to the Articles, transfer all or any of his shares by an instrument of transfer in the usual common form or in any other manner (whether or not by written instrument) which the Directors may approve. Any written instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register in respect thereof. All instruments of transfer may be retained by the Company.
- (c) The directors may refuse to register the transfer of a share which is not fully paid, provided that any such refusal will not prevent dealings in the shares from taking place on an open and proper basis.
- (d) The directors may refuse to register any transfer in favour of a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purposes of any statute relating to mental health.
- (e) The directors may decline to register any transfer unless any written instrument of transfer, duly stamped, is lodged with the Company, accompanied by the relevant certificate and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, the instrument is in respect of only one class of share and, in the case of transfer to joint holders the number of joint holders does not exceed four.
- (f) The register of members may be closed by the directors for any period (not exceeding 30 days in any year) upon notice being given by advertisement in a leading national daily newspaper and in such other newspaper as may be required by the Act.

#### 4.2.3 Pre-emption

Subject to the provisions of the Act and the Articles, all unissued shares are at the disposal of the directors. The statutory pre-emption rights in relation to the allotment of equity securities (within the meaning of section 94 of the Act) have been disapplied by the Company's shareholders to the extent set out in paragraph 3.2.3 of Part 6 of this document.

#### 4.2.3 Return of Capital on a Winding Up

On a distribution of assets on liquidation or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be distributed amongst the holders of Ordinary Shares according to the nominal amounts (excluding any premium) paid up on the Ordinary Shares held by them respectively.

#### 4.2.4 Dividends and Other Distributions

- (a) Subject to the Act, the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors. Except in so far as the rights attaching to, or the terms of, any share otherwise provides, all dividends shall be declared and paid according to the amounts paid up on the shares, (but no amount paid up on a share in advance of calls shall be treated for this purpose as paid up on such share), and shall be apportioned and paid *pro rata* to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- (b) Subject to the provisions of the Act, the directors may pay such interim dividends as they think fit.

- (c) Any dividend unclaimed for a period of twelve years after it became due for payment shall be forfeited and shall revert to the Company.

#### 4.2.5 Redemption

Subject to the Act, any shares may, with the sanction of a special resolution, be issued on terms that they are, or at the option of the Company and/or the holder, are liable, to be redeemed on the terms and in the manner provided for by the Articles.

#### 4.2.6 Variation of Rights

Subject to the Act, all or any of the rights and restrictions attaching to any class of shares may be altered, added to or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum shall be two or more persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class, that every holder of the class shall be entitled on a poll to one vote for every such share held by him, that any holder of shares of the class present in person or by proxy may demand a poll and that at any adjourned meeting of such holders one holder present in person or by proxy (whatever the number of shares held by them) shall be a quorum. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the rights attaching to such shares, be deemed not to be altered by the creation or issue of further shares ranking *pari passu* therewith or by a purchase by the Company of its own shares.

#### 4.2.7 Alteration of Share Capital

Subject to the rights attaching to any class of shares that may be in issue:

- (a) the Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount (so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from the sub-division one or more shares may have such rights or restrictions as compared with the other or others as the Company has power to attach to unissued or new shares) and cancel any shares not at the date of the resolution taken or agreed to be taken by any person;
- (b) subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account;
- (c) subject to the provisions of the Act and the Articles, all unissued shares of the Company are at the disposal of the Company;
- (d) subject to the provisions of the Act, any shares may, with the sanction of a special resolution, be issued on terms that they are, or at the option of the Company and/or the holder are, liable to be redeemed on the terms and in the manner provided for by the Articles; and
- (e) subject to the provisions of the Act, the Company may purchase all or any of its shares of any class, including any redeemable shares.

#### 4.2.8 Directors

- (a) Unless and until the Company in general meeting shall otherwise determine, the number of directors shall not be less than two and there shall not be any maximum number.
- (b) Subject to the Act and the Articles, no director shall be disqualified by his office from entering into any contract or arrangement with the Company either with regard to his

tenure of any office or employment or as a vendor, purchaser or otherwise. Nor shall any such contract be liable to be avoided. Nor shall any director so contracting be liable to account to the Company for any remuneration, profit or other benefit realised by any such contract or arrangement by reason of such director holding that office or the fiduciary relationship thereby established, but such director shall declare the nature of his interest in accordance with the Act.

#### 4.2.9 Restrictions on Voting by Directors

Save as otherwise provided by the Articles, a director shall not vote on (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he (or anyone connected with him) is, to his knowledge, materially interested, and if he shall his vote shall not be counted, but (in the absence of some material interest other than as indicated below) this prohibition shall not apply to the following matters namely:

- (a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or its subsidiary;
- (b) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning his participation in any offer of shares in or debentures or other securities of the Company or its subsidiary's issued or to be issued pursuant to any offer or invitation to holders of securities or concerning his participation for subscription or purchase in which offer he is or is to be interested as a participant for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (d) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (e) any proposal concerning retirement, death or disability benefits scheme or a share option scheme, share incentive scheme or profit-sharing scheme which either relates to both employees and directors of the Company and/or directors of a subsidiary and does not provide any director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates or has been approved by or is conditional on approval by HM Revenue & Customs for tax purposes; and
- (f) any proposal concerning an insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any directors or persons who include the directors.

#### 4.2.10 Remuneration of Directors

- (a) The remuneration (whether by way of salary, commission, participation in profits or otherwise) of any executive director shall be such as the directors may determine, and either in addition to or in lieu of his remuneration as director.
- (b) Each of the directors may be paid a fee for his services as a director at such rate as the directors may from time to time determine provided that the aggregate of all such fees so paid to directors (excluding amounts payable under any other Article) shall not exceed £250,000 per annum or such larger amount as the Company may by ordinary resolution determine.
- (c) Each director may be paid all reasonable travelling, hotel and other expenses properly and reasonably incurred by him in attending and returning from meetings of the directors or any committee of the directors or meetings of shareholders or debenture holder of the Company or otherwise in connection with the business of

the Company or the discharge of his duties as a director. Any director who, by request, goes to reside abroad for any purposes of the Company or who performs services which in the opinion of the directors go beyond the ordinary duties of a director shall be entitled to be paid such extra remuneration (whether by way of salary, commission, participation in profit or otherwise) and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article.

#### 4.2.11 Appointments to Office

Subject to the Act, the directors may from time to time appoint one or more of their body to hold any other employment or executive office and upon such terms as they may determine and may revoke or terminate any of such appointments. Any such revocation or termination shall be without prejudice to any claim for damages such director may have against the Company or the Company has against the director for breach of any service contract between him and the Company.

#### 4.2.12 Retirement of Directors

- (a) Save as may be otherwise resolved by the Company in general meeting convened on special notice a person shall not be appointed as a director if, at the time when the appointment would take effect, he would have attained the age of 70. A director shall vacate his office at the conclusion of the annual general meeting of the Company which next follows his attaining the age of 70; but acts done by a person as director are valid notwithstanding that it is afterwards discovered that, by reason of this Article, he should not have been appointed or his appointment had terminated.
- (b) No provision in these Articles for the automatic reappointment of retiring directors in default of the appointment of another applies to such a retiree.

#### 4.2.13 Annual and Extraordinary General Meetings

- (a) The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting(s) in that year and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Subject to the provisions of the Act, the annual general meeting shall be held at such time and place as the Board may determine.
- (b) The Board may convene an extraordinary general meeting whenever it thinks fit. An extraordinary general meeting shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by section 368 of the Act. At any meeting convened on such requisition or by such requisitionists no business shall be transacted except as stated by the requisition or proposed by the board.
- (c) Subject to the provisions of the Act, an annual general meeting and a general meeting for the passing of a special resolution shall be called by at least 21 clear days' notice and all other general meetings shall be called by at least 14 clear days' notice.
- (d) Shorter notice than that specified above may be deemed to have been given in the case of an annual general meeting by all the members entitled to attend and vote at the meeting; and in the case of any other meeting, by a majority number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.
- (e) At any general meeting, the chairman may make any arrangements and impose any requirement or restriction which he considers appropriate to ensure the security and orderly conduct of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the



meeting place. The chairman is entitled to refuse entry to a person who refuses to comply with these arrangements, requirements or restrictions.

#### 4.2.14 Borrowing Powers

The directors may exercise all the powers of the Company to borrow money and shall restrict the borrowings of the Company, and exercise all other rights and powers of control which the Company has in relation to its subsidiaries, so as to secure (but, in relation to the subsidiaries, only insofar as the rights and powers of the Company enable the board to do so) that the aggregate outstanding principal amount of all borrowings of the Company and its subsidiaries from time to time does not, without the sanction of an ordinary resolution, exceed an amount equal to four times the share capital and reserves (as defined by the Articles) without the previous sanction of any ordinary resolution of the Company in general meeting.

#### 4.2.15 Pensions, Gratuities etc.

The directors may, subject to the provisions of the Act, exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including any director or former director or the relations, connections or dependants of any director or former director, provided that no pension, annuity or other allowance or benefit (except such as may be provided for by the Articles) shall be granted to a director or former director who has not been an executive director or held any office or place of profit under the Company or any of its subsidiaries or to a person who has no claim on the Company except as a relation, connection or dependant of such a director or former director without the approval of an ordinary resolution of the Company.

#### 4.2.16 Untraced Shareholders

- (a) When the registered address of a member appears to be incorrect or out of date such member may, if the Board so resolves, be treated as if he had no registered address and thereafter the Company is not obliged to send cheques, warrants, notices or accounts to the member. No such resolution shall be proposed unless cheques or warrants sent to the registered address of such member have been returned by the Post Office or left uncashed on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish any new address of such member.
- (b) If for a period of twelve years at least three dividends have become payable and not been cashed and no communication has been received from the member (or any person entitled to the member's shares by transmission), the Company may sell such shares at the best obtainable price if, after giving notice in a leading newspaper and a newspaper circulating in the region of the member's registered address, it has not had any communication from the member (or anyone entitled to his shares by transmission) within three months.

#### 4.3 Save as disclosed in this paragraph 4 of Part 6, neither the memorandum of association of the Company nor the Articles:

- 4.3.1 contain any provision that would have the effect of delaying, deferring or preventing a change of control of the Company; or
- 4.3.2 contain any provision governing the ownership threshold above which shareholder ownership must be disclosed; or
- 4.3.3 impose any condition governing changes in the capital that is more stringent than is required by law.

## 5. Substantial shareholders

5.1 At the date of this document, so far as the Directors are aware, the following persons, other than the Directors, are or will be interested in 3 per cent. or more of the issued Ordinary Share capital of the Company.

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
Karl Watkin	2,800,000	13.7%	2,800,000	10.5%
General Capital Venture Finance Limited <sup>1</sup>	3,500,000	17.1%	3,500,000	13.2%

### Notes

1. Jonathan Hill, Non-Executive Director of the Company, is a director of General Capital Venture Finance Limited

5.2 In so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following Admission will (directly or indirectly) exercise or could exercise control over the Company.

5.3 None of the Company's major holders of Ordinary Shares listed above has different voting rights from other holders of Ordinary Shares.

5.4 In so far as the Company has the information, the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

## 6. Directors' interests

The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at the date of this document and following the Placing (assuming full subscription thereunder) such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director, are as follows:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
Alan O'Brien	11,700,000	57.3%	11,700,000	44.0%
Jonathan Hill <sup>1</sup>	3,500,000	17.1%	3,500,000	13.2%
Clive Morton	400,000	2.0%	400,000	1.5%

### Notes

1. Jonathan Hill's interests as at the date of this document include 3,500,000 Ordinary Shares held by General Capital Venture Finance Limited as shown in paragraph 5.1 of this Part 6, a company of which Mr Hill is a director.

## 7. Additional information on the Directors

7.1 Other than directorships of Group companies, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Former</i>
Dr Clive Neil Morton	Board Performance Limited D1 Oils plc Dermasalve Sciences plc Peterborough Urban Regeneration Company Limited	Association for Management Education and Development Greater Peterborough Investment Agency Northern Pinetree Trust The Centre for Tomorrow's Company The Positive Health Alliance Limited Whitwell Learning Limited
Alan Michael George O'Brien	Sabien Technology (Leasing) Limited	UCANNOW.COM Limited
Laurence Augustine Orchard	Keyworld Holdings Limited Keyworld International Limited Keyworld Investments plc Keyworld Finance Limited Lau Ventures Limited	Keydis Limited
Jonathan Clive Hill	Carworld Custom Centre Limited Distributed Powers Systems Limited Earthport plc Ebridge Limited Finance & Leasing Consultants Limited Fleet Recruitment Search & Selection Limited General Capital Venture Finance Limited General Capital Finance Limited General Capital Property Finance Limited General Capital Holdings plc General Capital Investments Limited General Capital Group plc Gotelee (General Capital) Limited Greatfleet plc Grovefield Finance Limited Helius Energy plc IRR Limited JB Designs Limited London Law Appointments Limited Longbridge International Limited Norfolk & Suffolk Finance Limited Oxygen Finance Holdings Limited PS Publications Limited Relay Station Limited SPDG Technologies plc Suffolk Mercantile Limited Trevor James Holdings Limited	BLR Finance & Leasing Limited BLR Trust Limited General Capital Asset Finance Limited Law & Finance International Limited Pre-X Capital Management Limited

- 7.2 Laurence Orchard was appointed on 1 March 2006 as a director of:
- 7.2.1 Keyworld Holdings Limited which went into liquidation on 20 September 2006 with a creditors' shortfall of £2.1m;
  - 7.2.2 Keyworld International Limited which went into liquidation on 20 September 2006 with a creditors' shortfall of £3.6m.
- 7.3 Jonathan Hill was a director of:
- 7.3.1 Carworld Custom Centre Limited when it went into liquidation on 27 April 2004 with a creditors' shortfall of approximately £0.2m; and
  - 7.3.2 P S Publications Limited when it went into administration on 10 November 2005 with a creditors' shortfall of approximately £1.7 million; and
- Mr Hill was appointed as a director of J B Designs Limited when General Capital Venture Finance Limited provided it with a debt facility. He resigned as a director of J B Designs Limited on 1 November 2006. It went into administration on 2 November 2006.
- 7.4 Save as disclosed in this document, none of the Directors has:
- 7.4.1 any unspent convictions in relation to indictable offences;
  - 7.4.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
  - 7.4.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
  - 7.4.4 been a partner in any partnership with has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 7.4.5 the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 7.4.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - 7.4.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 7.5 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.
- 7.6 In respect of any Director, there are no conflicts of interests between any duties they have to the Company and the private interests and/or other duties they may also have.
- 7.7 There are no outstanding loans granted by any member of the Group to the Directors or any guarantees provided by any member of the Group for the benefit of the Directors.
- 7.8 No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Group and which was effected by the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

- 7.9 None of the Directors, their spouses or infant children have any interest in any financial products whose value is wholly or partly determined, directly or indirectly, by reference to the price of the Ordinary Shares.

## **8. Directors' remuneration**

- 8.1 The Company has entered into the following service agreements and letters of appointment:
- 8.1.1 On 9 November 2006, Dr Clive Morton entered into a letter of appointment with the Company pursuant to which he agreed to act as Non-Executive Chairman of the Company for a fee of £28,000 per annum. The appointment is terminable by 3 months' notice on either side.
- 8.1.2 On 9 November 2006, Alan O'Brien entered into a service agreement with the Company pursuant to which Mr O'Brien agreed to act as Chief Executive Officer of the Company for a salary of £130,000 per annum. The appointment is terminable by 6 months' notice on either side. Mr O'Brien is entitled to an annual car allowance of £6,000, out-of-pocket expenses and 30 working days' holiday each year. The service agreement also contains certain non-compete and non-solicitation restrictions on Mr O'Brien following the termination of this employment.
- 8.1.3 On 9 November 2006, Laurence Orchard entered into a service agreement with the Company pursuant to which Mr Orchard has agreed to act as Finance Director of the Company for a salary of £90,000 per annum. The appointment is terminable by 6 months' notice on either side. Mr Orchard is entitled to out-of-pocket expenses and 30 working days' holiday each year. The service agreement also contains certain non-compete and non-solicitation restrictions on Mr Orchard following the termination of this employment.
- 8.1.4 On 9 November 2006, Jonathan Hill entered into a letter of appointment with the Company pursuant to which he agreed to act as Non-Executive Director of the Company for a fee of £20,000 per annum. The appointment is terminable by 3 months' notice on either side.
- 8.2 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 8.3 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any Director and the Group.
- 8.4 In the year ended 30 June 2006 the total aggregate remuneration paid and benefits-in-kind granted to the Directors was £5,000. The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 31 June 2007 are estimated to be £243,000.

## **9. Corporate governance**

The Company intends, following Admission and so far as is practicable and appropriate for a public company of its size, to comply with the principles of the Combined Code on Corporate Governance published in July 2003.

The Company has established an Audit Committee composed of the Non-Executive Directors and chaired by Jonathan Hill. The Audit Committee will meet no less than twice each year and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for the reporting of the financial performance of the Company and for reviewing financial statements prior to publication.

The Company has established a Remuneration Committee composed of the Non-Executive Directors and chaired by Dr Clive Morton. It is responsible for reviewing the performance of the executive directors and setting the scale and structure of their remuneration and the basis of their service agreements with due regard to the interest of shareholders. The Remuneration Committee shall also determine the allocation of share options to employees. It is a rule of the Remuneration Committee that a Director shall not participate in discussions or decisions concerning his/her own remuneration.

## 10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

10.1 A Placing Agreement dated 15 December 2006 between the Company, the Directors and Brewin Dolphin whereby Brewin Dolphin was appointed as agent of the Company to use its reasonable endeavours to procure placees for the New Ordinary Shares for a fee of £160,000 and commission of 4 per cent. on the funds raised on the value of the New Ordinary Shares placed. Pursuant to the Placing Agreement, the Company and the Directors have given certain warranties to Brewin Dolphin regarding, *inter alia*, the accuracy of the information in this document and an indemnity in favour of Brewin Dolphin in respect of all liabilities, losses, costs, charges and expenses which Brewin Dolphin may suffer in respect of the Placing and/or Admission. The Placing Agreement is conditional, *inter alia*, on Admission taking place no later than 12 January 2007 and the Company and the Directors complying with certain obligations under the Placing Agreement.

Subject to certain exceptions (including a disposal pursuant to a general offer to all the shareholders of the Company) the Directors have agreed not to dispose of any of their ordinary shares without the prior consent of Brewin Dolphin for a period of 12 months following Admission. The agreement also contains orderly market provisions which apply for a further period of 12 months after expiry of the lock-in period.

10.2 Lock-in agreements dated 15 December 2006 between Brewin Dolphin, the Company and each of the Restricted Shareholders under which the Restricted Shareholders have each agreed with Brewin Dolphin and the Company not to dispose of any interest in Ordinary Shares for a period of 12 months from the date of Admission, except in limited circumstances or with the prior written consent of Brewin Dolphin and the Company, and further lock-in agreements dated 15 December 2006 between Brewin Dolphin, the Company and each of A Scott-Barrett and C Brown under which each of them has agreed not to dispose of any interest in Ordinary Shares for a period of 6 months from the date of Admission, except in limited circumstances or with the prior written consent of Brewin Dolphin and the Company.

10.3 A letter of engagement dated 14 December 2006 between the Company and Brewin Dolphin appointing Brewin Dolphin as nominated adviser and broker to the Company for an initial period of 2 years from Admission, thereafter terminable on 90 days' notice in writing by either party. Brewin Dolphin will receive a fee of £40,000 per annum plus VAT for its services under this agreement, from 30 June 2007. The agreement provides for certain warranties and an indemnity to be given to Brewin Dolphin and provides, *inter alia*, for the Company and the Directors to comply with the rules of AIM.

10.4 A letter agreement dated 15 May 2006 pursuant to which Robin Graham irrevocably assigned to Sabien his entire right and interest in the commercial and industrial boiler management technology developed in conjunction with all or any of Trevor Hutchinson, Taran Systems Limited and Hubert Mills. In consideration of this Sabien paid Mr Graham £50,000. Sabien also agreed to pay Mr Graham £150,000 on or before the end of December 2006, £25,000 on or before the end of June 2007 and £25,000 on or before the end of December 2007. Mr Graham also gave certain warranties and covenants to Sabien.

10.5 A letter agreement dated 15 May 2006 pursuant to which Hubert Mills irrevocably assigned to Sabien his entire right and interest in the commercial and industrial boiler management technology developed in conjunction with all or any of Trevor Hutchinson, Taran Systems Limited and Robin Graham. In consideration of this Sabien paid Mr Mills £50,000. Sabien also agreed to pay Mr Mills £150,000 on or before the end of December 2006, £25,000 on or before the end of June 2007 and £25,000 on or before the end of December 2007. Mr Mills also gave certain warranties and covenants to Sabien.

10.6 By an agreement (the "**Loan Agreement**") dated 19 May 2006 between (1) General Capital Venture Finance Limited ("**GCVF**") and (2) Sabien, GCVF agreed to provide a loan of £500,000 (the "**Loan**") to Sabien. The Loan was conditional upon, *inter alia*, Sabien entering into the Guarantee and Debenture (as defined below) in favour of GCVF, the Taran Undertaking (as

defined below) and paying an arrangement fee of £7,500. The interest rate of the Loan is 1.33 per cent. per month for the first six months and after such period the Loan is repayable in 30 equal monthly instalments of principal and interest of £20,331.04 per month. The Loan is immediately due and repayable on, *inter alia*, Admission. If the Loan is repaid prior to the third anniversary of the initial draw down (the “**Maturity Date**”) then the amount to be repaid is a sum equal to the net present value as at the date of repayment of the remaining monthly instalments that would, but for such repayment, have been payable as set out above discounted at the rate of 8 per cent. per annum from the date of such repayment to the Maturity Date.

The purpose of the Loan was to assist with the development and marketing of the M2G technology, funding the acquisition of the entire issued share capital of Sabien Technology IP Limited (“**STIPL**”) (formerly known as Taran Systems Limited) by Sabien, and providing working capital to Sabien. The Loan was available for drawing in tranches, and after the initial advance, no further advances could be made until Alan O’Brien had produced a medium term strategic business plan for STIPL to be approved by GCVF.

Events of default include missing a repayment, breach of the Loan Agreement, any insolvency event, a breach of any provision contained in the Guarantee and Debenture and the removal (other than by resignation) of any representative director nominated by GCVF as contemplated under the Loan Agreement. Sabien entered into standard covenants and standard warranties, including that it had the necessary corporate power and authority to borrow and grant security.

- 10.7 By an agreement dated 24 May 2006 Sabien entered into a guarantee and debenture in favour of GCVF (the “**Guarantee and Debenture**”) as security for the Loan and agreed to pay or discharge to GCVF on demand any or all obligations owed under the Loan Agreement (including interest) and to indemnify GCVF against any liability whatsoever resulting from failure to make payment or the Guarantee and Debenture being or becoming ineffective in any way. Sabien charged all of its assets by way of fixed and floating charges with full title guarantee to GCVF as security for the Loan and Sabien entered into standard covenants in favour of GCVF.
- 10.8 By a letter of 24 May 2006 Sabien agreed and undertook to GCVF to use its best endeavours to procure that STIPL does not dispose of any of the intellectual property rights it holds at any time when any monies are due by Sabien. By letters of the same date STIPL undertook also that it would not dispose of any of such intellectual property rights and Alan O’Brien undertook to indemnify GCVF against any loss or expense Sabien might suffer by reason of STIPL disposing of any interest in such intellectual property rights whilst he was the sole director of STIPL. Together these letters are the “**Taran Undertaking**”.
- 10.9 By a deed dated 24 May 2006 Trevor Hutchinson confirmed and agreed with Sabien that all right and title in the Intellectual Property Rights (as defined in the Acquisition Agreement as defined below) was vested in STIPL and neither he nor any connected person had any right, title or interest in the Intellectual Property Rights and if and to the extent that he or any such person had any right, title or interest it was transferred and assigned to STIPL.
- 10.10 By an agreement dated 24 May 2006 entered into between (1) Sabien and (2) Trevor Hutchinson (the “**Acquisition Agreement**”), Sabien acquired the entire issued share capital of STIPL (then called Taran Systems Limited). The consideration for the acquisition was £278,000 which was paid on or by completion and the balance is to be satisfied by the issue of loan notes the quantum of which depends on the number of M2G units sold in the period ending on the fourth anniversary of this agreement. The nominal value of the loan notes is calculated as follows:
  - (a) in respect of the period from 24 May 2006 to 24 May 2007, £20 per unit sold for the first 250 units and thereafter £100 per unit;
  - (b) in respect of the period from 24 May 2007 to 24 May 2008, £60 per unit for the first 500 units and thereafter £100 per unit;
  - (c) in respect of the period from 24 May 2008 to 24 May 2010, £97.50 per unit sold.

The loan notes are to be issued within one month of the end of the relevant twelve month period and are redeemable on 21 days notice in cash but notice of redemption can not be given prior to the date which is six months and one day after the date of issue of the relevant loan note.

Mr Hutchinson gave certain representations, warranties and covenants to Sabien.

- 10.11 By a consultancy agreement dated 24 May 2006 between (1) Sabien and (2) Trevor Hutchinson, Mr Hutchinson agreed to provide Sabien with services including, *inter alia*, development of the M2G products comprising software and hardware. In consideration of this Sabien agreed to pay Mr Hutchinson a fee of £20,000 (exclusive of VAT) per annum for the first two years of the agreement, a fee for £2.50 per M2G unit sold in each of the third and fourth years of the term of the agreement and thereafter £100 per M2G unit sold after the fourth anniversary of the agreement. The agreement endures for eighty years unless terminated by Mr Hutchinson or by Sabien in certain limited circumstances including Mr Hutchinson seeking to compete with the business of STIPL as carried on at April 2006 or disputing STIPL's entitlement to use any of the Intellectual Property Rights (as defined in the agreement) relating to M2G units or any part thereof or any Intellectual Property Rights of any Group company.
- 10.12 By an agreement dated 1 September 2006 but reflecting an agreement reached in September 2005 (the "**Shareholders Agreement**") between (1) Alan O'Brien, (2) Karl Watkin, (3) Clive Morton, (4) Samantha Glass, (5) GCVF, (6) Kerri-Lynn Hauck and (7) Thomas Quigley (together the "**Initial Investors**") and (8) Sabien, the Initial Investors agreed to subscribe in cash at par for ordinary shares in the capital of Sabien. The agreement also contained standard provisions relating to share transfers, board meetings, control of management and conduct of business and confidentiality.
- The agreement stated that it should continue in full force and effect unless and until, *inter alia*, all the issued shares in the capital of the Sabien Technology became beneficially owned by one person or application was made for the admission of the ordinary share capital of Sabien Technology or its holding company to AIM.
- 10.13 By an agreement dated 27 September 2006 between (1) the Initial Investors (2) Sabien and (3) certain investors (the "**Further Investors**"), the Further Investors subscribed for ordinary shares of 0.001p each in the capital of Sabien at a price of 60p per share and each Further Investor undertook that with effect from the date of allotment of his Subscription Shares he would perform, discharge and be bound by all liabilities and obligations, and should be entitled to all rights and benefits arising under, the Shareholders' Agreement. Sabien raised £250,000 by this share issue.
- 10.14 By an agreement dated 12 December 2006 between (1) the Company and (2) the shareholders in Sabien (the "**Sabien Shareholders**"), the Company acquired the entire issued share capital of Sabien in consideration for the allotment and issue to the Sabien Shareholders of 20,416,644 Ordinary Shares in aggregate and crediting the existing Ordinary Share as fully paid. As a consequence of this agreement the Shareholders' Agreement terminated.
- 10.15 By an agreement dated 12 December 2006 between (1) the Company and (2) Sabien, the Company acquired the entire issued share capital of STIPL in consideration of the Company agreeing to discharge Sabien's obligations to GCVF under the Loan Agreement.
- 10.16 By an agreement dated 9 November 2006 between (1) Sabien and (2) STIPL, Sabien assigned to STIPL all and any intellectual property rights in, or relating to the M2G system together with all related technology which have been (as at the date of the agreement) or will thereafter be assigned to Sabien by Hubert Mills, Robin Graham, Trevor Hutchinson or otherwise such that STIPL will be the owner of intellectual property rights utilised by the Group.
- 10.17 By an agreement dated 9 November 2006 between (1) STIPL and (2) Sabien, STIPL granted Sabien a non-exclusive royalty free licence to use certain patents, know-how and related intellectual property rights in the United Kingdom excluding Northern Ireland.
- 10.18 By an agreement (the "**Facility Agreement**") dated 14 December 2006 General Capital Venture Finance Limited ("**GCVF**") agreed to provide the Company with a £800,000 facility (the "**Facility**"). The Facility was conditional upon the Company, Sabien and Sabien Technology IP Limited (together the "**Chargors**") entering in to a composite guarantee and debenture (the "**Guarantee and Debenture**") in favour of GCVF. Pursuant to the Guarantee and Debenture the Chargors have created fixed and floating charges over all of their assets in favour of GCVF as security for all amounts owing by any Chargor to GCVF. The Facility is interest free. GCVF has the right at any time or times prior to the third anniversary of Admission (the "**Repayment Date**")



to call for the conversion of the amount outstanding under the Facility into Ordinary Shares at the Placing Price. The Facility is not repayable in advance by the Company without the consent of GCVF. If the Facility has not been converted into Ordinary Shares by the Repayment Date the Facility is repayable on demand. The Facility may be drawn down in two tranches being £500,000 on signing and £300,000 on Admission. The first tranche has been drawn down and utilised to pay all sums due to GCVF from Sabien under the Loan Agreement referred to at paragraph 10.6 above together with certain other indebtedness of Sabien to GCVF. The second tranche will be drawn down immediately on Admission. Events of default under the Facility Agreement including failure to repay any amounts when due, insolvency and a breach of the Guarantee and Debenture provisions. The Company also gave standard covenants and warranties, including that it had the necessary corporate power and authority to borrow and grant security.

## **11. Summary of principal features of the Share Option Plan**

The Company established on 9 November 2006 a share option scheme, the "Share Option Plan". The Share Option Plan provides for the grant, to selected employees of the Group, of rights to acquire (whether by subscription or market purchase) Ordinary Shares in the Company ("**Options**"). Options may be granted as tax-favoured enterprise management incentive Options ("**EMI Options**") or non-Her Majesty's Revenue & Customs approved Options. Options are not transferable and there is no entitlement to employer pension contributions in respect of them. The operation of the Share Option Plan will be overseen by the Remuneration Committee.

### *11.1 Eligibility*

Participation in the Share Option Plan will be restricted to selected employees, including executive directors of any member of the Group. The Remuneration Committee has discretion as to the selection of employees to whom Options are to be granted. EMI Options may only be granted to employees who qualify for the grant of such Options in accordance with the legislation governing EMI Options from time to time.

### *11.2 Grant of Options*

Options may initially be granted under the Share Option Plan prior to or within 42 days following Admission. Thereafter, Options may be granted in the period of 42 days beginning with the dealing day following an announcement of the Company's results for any period and within the period of 28 days after a new employee first joins the Group, but otherwise only in circumstances judged by the Remuneration Committee to be exceptional. Following Admission, no Option may be granted in breach of the AIM Rules. No Options may be granted more than 10 years after Admission.

### *11.3 Exercise Price*

The price per Ordinary Share payable on the exercise of an Option under the Share Option Plan is determined by the Remuneration Committee when Options are granted on any occasion. It is intended that the pre-Admission grants will be at the Issue Price and in the case of Options granted following Admission the exercise price shall not be less than the market value of an Ordinary Share of the Company, unless the Remuneration Committee decides otherwise in exceptional circumstances.

### *11.4 EMI Options Limits*

The grant of EMI Options is subject to limits (both individual and Company), as specified in the legislation governing EMI Options from time to time.

### *11.5 Individual limits on participation*

The aggregate market value of Ordinary Shares (as at the date of grant) over which Options may be granted under the Share Option Plan to an eligible employee in any year shall not normally exceed twice the gross rate of his basic annual salary (excluding bonus, company pension contributions and any other perquisites or benefits-in-kind) payable in the financial year in which Options are granted or, if greater, the preceding financial year. An Option may be granted in excess of this limit, but only if the Remuneration Committee considers that exceptional circumstances exist to justify the grant.

#### 11.6 *Limit on the issue of shares*

The number of Ordinary Shares in respect of which rights to subscribe for new Ordinary Shares may on any day be granted under, or for the purposes of, the Share Option Plan, when added to the number of Ordinary Shares issued or which remain issuable pursuant to rights to subscribe for new Ordinary Shares granted under, or for the purposes of, the Share Option Plan and any other employees' share plan of the Company in the period of 10 years ending on that day (excluding any rights to subscribe for new Ordinary Shares granted prior to or in connection with Admission), shall not exceed 10 per cent. of the issued ordinary share capital of the Company on that day.

#### 11.7 *Sourcing the Option shares*

Options may be granted by the Company, as rights to subscribe for Ordinary Shares, or by the trustee of an employees' share trust established by the Company, as rights to acquire Ordinary Shares from such a trust. The Company may, subject to the dilution limits described in the preceding paragraph, issue, or grant rights to subscribe for Ordinary Shares to such a trustee for the purpose of satisfying the exercise of Options.

#### 11.8 *Performance Conditions*

The exercise of Options may be subject to the attainment of an objective condition set by the Remuneration Committee at the time of grant relating to the performance of the Company and/or if the Remuneration Committee so determines, a subsidiary and/or the Option holder (a "**Performance Target**") over a fixed period of 3 years (or such other period as determined by the Remuneration Committee) (the "**Performance Period**"). In appropriate circumstances, the Remuneration Committee may amend (or, in exceptional circumstances, waive) a Performance Target but must be satisfied that in its opinion any amended Performance Target is no more difficult to satisfy than was the original Performance Target when first set.

Any grant of Options made prior to or in connection with Admission will not have a Performance Target attached, but will be subject to a three year Vesting Period (as defined below). After Admission, the Remuneration Committee will consider whether a Performance Target should be applied in each particular case prior to the grant of an Option.

#### 11.9 *Exercise and lapse of Options*

A non-performance related Option may not normally be exercised on or before a period or periods of time following the grant date, as specified on the grant of the Option (the "**Vesting Period**"). An Option which is subject to a Performance Target (a "**Performance Option**") may, in addition, not normally be exercised before the expiry of the Performance Period. An Option may not in any event be exercised after the day immediately preceding the tenth anniversary of the date of grant or such earlier time as may be specified at the date of grant. No Options may be exercised in breach of the AIM Rules.

If an Option holder leaves employment within the Group by reason of injury, disability, redundancy, retirement or because the business or company for which he works is sold outside the Group, he may exercise his Option within 6 months of the date of leaving (if he leaves after the end of his Performance Period or Vesting Period, as appropriate) or, if cessation occurs during a Performance Period or before the end of the Vesting Period, within 6 months following the vesting date or the date of cessation as determined and notified to the Option holder by the Remuneration Committee. The proportion of Ordinary Shares over which an Option may be exercised depends on whether the Option holder leaves during or after the Performance Period or Vesting Period for his Option (and, in the case of a Performance Option, the extent to which the Performance Target has been, or is deemed by the Remuneration Committee to be, achieved).

If an Option holder dies, his personal representatives may exercise his Option within 12 months of the date of death. The proportion of Ordinary Shares over which an Option may be exercised depends on whether the Option holder dies during or after the Performance Period or Vesting Period for his Option (and, in the case of a Performance Option, the extent to which the Performance Target has been, or is deemed by the Remuneration Committee to be, achieved).

If the Option holder leaves the Group for any other reason, his Option will lapse unless and insofar as the Remuneration Committee determines otherwise.

#### 11.10 *EMI Option disqualifying event*

If a disqualifying event occurs, as specified in the legislation governing EMI Options from time to time, the Remuneration Committee may determine that an EMI Option shall become exercisable (in whole or part) within a period of 40 days from the date of the disqualifying event.

#### 11.11 *Internal reconstruction*

On an internal reconstruction, the Board may invite the Option holders to accept an exchange of Options if, in the opinion of the Remuneration Committee, the rights offered in exchange for the release of the Option are substantially equivalent in value to the value of the Option and are on terms approved by the Remuneration Committee. The invitation shall be open for at least 14 days and any Options not exercised in this time will lapse and cease to be exercisable.

#### 11.12 *Reconstruction or winding-up of the Company*

If there is a demerger of the Company, the Remuneration Committee may notify Option holders that they have 3 months (or some other specified period) to exercise their Options. Options may be exercised early in this way if the Remuneration Committee determines that the interests of Option holders would or might be substantially prejudiced if, before the proposed demerger, Option holders could not exercise their Options.

If the court sanctions a compromise or arrangement for reconstruction of the Company, Option holders may exercise their Options within 3 months from the date the compromise or arrangement becomes effective (or the date of the court sanction, if the Remuneration Committee so determines). The Remuneration Committee may also permit Options to be exercised conditionally on the court sanction.

If notice is given to shareholders of a resolution for the voluntary winding-up of the Company, Options may be exercised at any time before the winding-up commences or within such other period as may be notified to Option holders.

The proportion of Ordinary Shares over which an Option may then be exercised depends on the proportion of the Vesting Period which has elapsed at the relevant date or, in the case of a Performance Option, the proportion of the Ordinary Shares which are or are deemed to become vested at the relevant date. All Options will lapse, to the extent not exercised, at the end of the relevant period.

#### 11.13 *Takeover of the Company*

If shareholders accept a takeover offer for the Company, Options may then be exercised early, normally within 3 months of the change of control. The proportion of Ordinary Shares over which an Option may then be exercised depends on the proportion of the Vesting Period which has elapsed, or in the case of a Performance Option, the proportion of the Ordinary Shares which are or are deemed to become vested, at the date of the change of control. If a change of control is proposed in circumstances where corporation tax relief in relation to the exercise of Options will be prejudiced once control has passed, the Remuneration Committee may exercise discretion to allow exercises to take effect in advance of the date when control passes. To the extent that Options are not exercised within the specified period, they will lapse.

#### 11.14 *National Insurance Contributions (“NICs”)*

The Remuneration Committee shall determine whether any employer’s NICs arising in connection with Options shall be transferred to Option holders.

#### 11.15 *Variation of Share Capital*

In the event of a variation of the ordinary share capital of the Company, the Board may adjust the aggregate number, amount or description of Ordinary Shares subject to any Option and/or the exercise price. In the case of any variation other than a sub-division, consolidation or

capitalisation issue, the Company's independent advisers must confirm in writing that any adjustment proposed is fair and reasonable.

#### 11.16 *Amendment to the Share Option Plan*

The Board may amend the rules of the Share Option Plan. However, after Admission, no amendments to the advantage of existing or new Option holders may be made to the provisions relating to the Company's limits on the grant of Options without the prior approval of shareholders. This is subject to an exception for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Option holders or for the Company or any Group company.

### 12. **Working Capital**

The Directors are of the opinion, having made due and careful enquiry that, taking into account the net proceeds of the Placing and the existing facilities available to the Group, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

### 13. **Taxation**

#### 13.1 *Introduction*

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Ordinary Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

Assuming that the company remains a trading company or the holding company of a trading group for tax purposes in the UK, Sections 573 to 576 of the Taxes Act will (subject to the relevant conditions specified in those sections) apply to investment companies and individuals investing in the Placing Shares.

13.2 Venture Capital Trust (VCT) investors – the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under VCT legislation. The Company has received provisional approval from the UK Inland Revenue that it fulfils the requirements for VCT investment.

13.3 Enterprise Investment Scheme (EIS) – the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the EIS, potentially enabling eligible investors to benefit from certain tax reliefs on their investment. The Company has received provisional approval from the UK Inland Revenue to its qualification under the EIS.

13.3.1 Individual investors eligible for EIS relief may be entitled to claim 20 per cent. income tax relief on the Placing Shares subscribed for, up to a maximum for all such subscriptions of £150,000 in any tax year. The minimum subscription to qualify for relief is £500 per individual.

13.3.2 Provided qualification for EIS relief is maintained by the Company and by the individual investor for a period of broadly three years after the share issue, any profit made by the investor on disposal of the shares after three years may be free of capital gains tax. This exemption applies to shares upon which EIS income tax relief is received and is not restricted or later withdrawn.

- 13.3.3 Individuals and certain Trustees subscribing for Ordinary Shares may be entitled to claim capital gains tax deferral in respect of gains realised on asset disposals within the three years before, and up to one year after, the date their EIS shares are issued. The relief allows a shareholder to defer part or all of a gain made on a disposal that would normally crystallise a charge to tax. The amount of gain that can be deferred is restricted to the amount of the re-investment and the deferred gain falls into charge when the EIS shares are disposed of. Unlike the income tax relief, there is no maximum investment limit for CGT deferral. If the gain to be deferred qualifies for taper relief, it is the untapered gain that is deferred; the existing entitlement to taper relief will crystallise when the gain comes back into charge.
- 13.3.4 The Company can apply for formal approval following conclusion of the Placing. Upon receipt of authority from the UK Inland Revenue, the relevant tax certificates will be issued to those eligible investors who request them. Assuming receipt of formal approval and subject to Inland Revenue working practices, it is anticipated that the certificates EIS 3, which investors need in order to claim their tax relief, will be available by 30 September 2007.
- 13.4 Although the Company currently expects to satisfy the relevant conditions for VCT and EIS investment, neither the directors nor the Company gives any undertaking to conduct its activities in a way that qualifies for or preserves its status.
- 13.5 Section 574 relief – Section 574 of the Taxes Act permits a loss on ordinary shares acquired by subscription in a qualifying trading company to be relieved against an individual investor's taxable income, as an alternative to setting the loss against capital gains. Upon making the appropriate claims, relief is given against income of the tax year in which the loss arises, or the preceding year. For shares issued after 5 April 1998, relief is restricted to shares in unquoted companies carrying on a qualifying trade, as defined for Enterprise Investment Scheme purposes.
- 13.6 Inheritance Tax (IHT) relief – Unquoted ordinary shares in companies such as the Company qualify for 100 per cent. IHT Business Property Relief, provided they have been held for two years prior to an event giving rise to a potential charge to IHT. If an individual shareholder makes a lifetime gift of shares, or dies whilst still the holder of the shares, IHT may not be payable provided the shares have been held for at least two years prior to the gift or death. In the event of a lifetime gift, the transferee may need to retain the shares for up to seven years to ensure Business Property Relief remains available to the transferor.
- 13.7 Taxation of chargeable gains – For individuals, trustees and personal representatives disposals of shares are generally identified on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax. There are differing rules for shares on which EIS relief is claimed. In addition gains made by individuals, trustees and personal representatives may qualify for taper relief. This relief reduces the amount of a chargeable gain on disposal, depending on the length of time the shares have been held since 6 April 1998, or the date of acquisition if later. With effect from 6 April 2000, any shareholdings in unquoted trading companies qualify as business assets, eligible for enhanced rates of taper relief. Shares issued on or after 6 April 2000 qualify for the maximum taper relief after two years, effectively reducing the capital gains tax rate on disposal to 10 per cent. for a higher rate taxpayer. If chargeable gains on EIS shares are deferred by reinvestment into further EIS shares, taper relief may be extended to treat -periods of ownership of successive EIS investments as effectively one period. The above rules do not apply to corporate shareholders, to which share "pooling" and indexation rules apply.
- 13.8 Taxation of dividends – Under UK tax legislation, no tax is withheld at source from UK Company dividend payments, although such payments carry a notional tax credit of one-ninth of the dividend paid. Individual basic rate taxpayers have no further tax to pay on the dividend, but non-taxpayers will not be entitled to any repayment of the associated tax credit. Higher rate taxpayers have a tax liability at the rate of 32.5 per cent. on the gross value of the dividend. After taking account of the associated tax credit, the additional liability equates to 25 per cent. of the cash dividend. Trustees of discretionary trusts liable to account for income tax at the rate applicable to trusts, have a tax liability at the Schedule F Trust rate of 32.5 per cent. on the gross value of the dividend. After taking account of the associated notional tax credit, the additional liability equates to 25 per cent. of the cash dividend. UK resident corporate shareholders will not normally be

liable to UK corporation tax or income tax on any dividends received from the Company. Shareholders who are resident in countries other than the UK may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the UK should consult their own tax advisor on the application of such provisions and the procedure for claiming relief.

**The above is a general summary of certain tax reliefs which may be available and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation advisor before applying for any New Ordinary Shares.**

#### **14. Litigation**

There are no governmental, legal or arbitration proceedings in which any Group company is involved or of which any Group company is aware are pending or threatened by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position or profitability.

#### **15. General**

- 15.1 The total proceeds of the Placing are expected to be £3.2 million. The estimated amount of the expenses of the Placing which are all payable by the Company, is approximately £0.7 million (excluding VAT). This amount includes an estimated commission of approximately £0.14 million payable by the Company. The net proceeds of the Placing will be approximately £2.5 million.
- 15.2 Baker Tilly, members of the Institute of Chartered Accountants in England and Wales, are the auditors of the Company and have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which it appears and their report in Part 3 of this document and accept responsibility for these reports for the purposes of the AIM Rules.
- 15.3 Baker Tilly accept responsibility for the information contained in Parts 3 and 4 of this document. To the best of the knowledge of Baker Tilly (which has taken all reasonable care to ensure that such is the case), the information contained in Parts 3 and 4 of this document is in accordance with the facts and makes no omission likely to affect the import of such information.
- 15.4 Brewin Dolphin, whose registered office is at 12 Smithfield Street, London EC1A 9BD, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 15.5 Sgurr Energy Limited, whose registered office is at 79 Coplaw Street, Glasgow, G42 7JG, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear. Sgurr Energy Limited has no material interest in the Company.
- 15.6 Sgurr Energy Limited accept responsibility for the information only contained in Part 5 of this document. To the best of the knowledge of Sgurr Energy Limited (which has taken all reasonable care to ensure that such is the case), the information contained in Part 5 of this document is in accordance with the facts and makes no omission likely to affect the import of such information.
- 15.7 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 30 September 2006, the date to which the last audited accounts of the Company have been drawn up.
- 15.8 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.
- 15.9 There have no interruptions in the business of the Group which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Group.
- 15.10 Save as disclosed in this document, there have been no important events in the development of the Company's business.

- 15.11 Save as disclosed in this document, the Directors are not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 15.12 The Placing Price represents a premium of 47p over the nominal value of 5p per Ordinary Share. The premium arising on the Placing amounts to £2,892,308 in aggregate.
- 15.13 There is no minimum amount which, in the opinion of the Directors, must be raised from the Placing.
- 15.14 The accounting reference date of the Company is 30 June.
- 15.15 The Ordinary Shares are in registered form. No temporary documents of title will be issued under the Placing.
- 15.16 Save as disclosed in this document there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 15.17 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with members of the Group) has:
- 15.17.1 received, directly or indirectly, from any member of the Group, within the twelve months preceding the Company's application for Admission; or
  - 15.17.2 entered into any contractual arrangement (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission, any of the following:
    - (a) fees totalling £10,000 or more;
    - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
    - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 15.18 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's activities.
- 15.19 Save as disclosed in this document, there are no investments in progress which are significant to the Group.
- 15.20 The financial information contained in Part 3 of this document does not constitute statutory accounts within the meaning of section 240 of the Act. A copy of the audited accounts of the Company for the period from 5 March 2004 to 30 June 2005 and for the year ended 30 June 2006 have been delivered to the Registrar of Companies in England and Wales. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act.
- 15.21 This document does not constitute an offer to sell, or the solicitation of an offer to acquire, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful and is not for distribution in any jurisdiction in which such distribution is unlawful. The Ordinary Shares have not been, and will not be, registered under the US Securities Act or under the applicable securities laws of any state of the United States, any province or territory of Canada, Japan, South Africa, Australia or the Republic of Ireland (the "Excluded Territories") and may not be sold, directly or indirectly, within the United States or the Excluded Territories or to any citizen, national or resident of the United States or the Excluded Territories.
- 15.22 Save as disclosed in this document, there are no environmental issues that may affect the Group's utilisation of the tangible fixed assets.
- 15.23 The Company has not entered into any related party transactions since incorporation.

15.24 The ISIN (International Security Identification Number) of the Company is GB00B1FPCD38.

**16. Documents for Inspection**

Copies of this document will be available free of charge to the public at the offices of Brewin Dolphin, at 12 Smithfield Street, London EC2A 9BD from the date of this document until one month from admission to trading on AIM and is available for download from [www.sabien-tech.co.uk](http://www.sabien-tech.co.uk).

Dated 15 December 2006



## PART 7: DEFINITIONS AND GLOSSARY

### DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

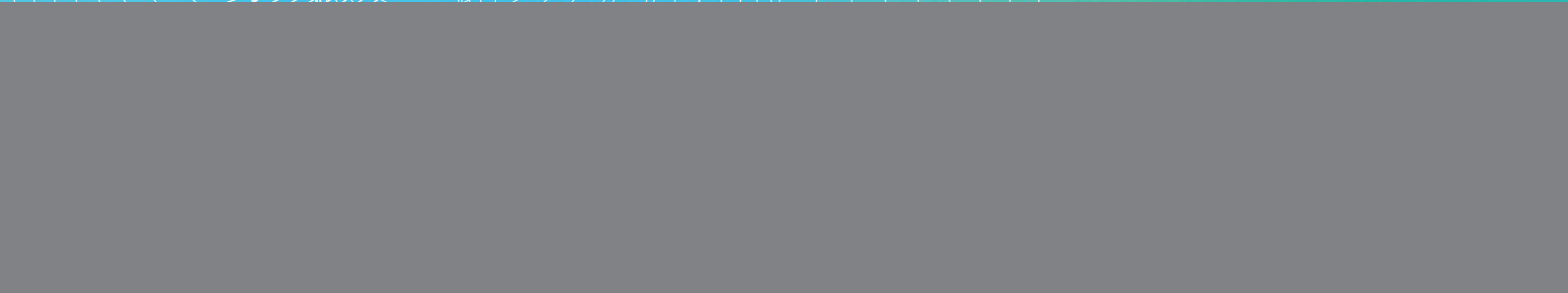
“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Existing Shares and the New Ordinary Shares to trading on AIM and such admission becoming effective pursuant to paragraph 6 of the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules governing the admission to and operation of AIM published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company
“Bell Lawrie”	Bell Lawrie, a division of Brewin Dolphin Securities Limited, the Company’s broker
“Board” or “Directors”	the Directors of the Company as at the date of this document whose names are set out on page 3
“Brewin Dolphin”	the corporate finance division of Brewin Dolphin Securities Ltd, the Company’s nominated adviser
“Company”	Sabien Technology Group PLC
“CREST”	the computerised settlement system to facilitate the transfer of title in shares in uncertificated form, operated by CRESTCO Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (as amended)
“Existing Shares”	the 20,416,664 existing Ordinary Shares in issue prior to the Placing
“FSA”	the Financial Services Authority
“Group”	the Company and its subsidiaries as at the date of this document
“Issue Price”	52p per new Ordinary Share
“Loan Notes”	the £800,000 zero coupon convertible debt facility, further details of which are contained in paragraph 10 of Part 6 of this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	6,153,847 new Ordinary Shares to be issued pursuant to the Placing
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 5p each in the capital of the Company
“Placing”	the conditional placing of the New Ordinary Shares at the Issue Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 15 December 2006 between (1) the Company, (2) Brewin Dolphin and (3) the Directors relating

	to the Placing, further details of which are contained in paragraph 10 of Part 5 of this document
“Restricted Shareholders”	together, General Capital Venture Finance Limited, K Watkin, S Glass, KL Hauck, T Quigley and E Werner
“Sabien”	Sabien Technology Limited, a wholly owned subsidiary of the Company, or its business as the context requires
“Shareholders” or “Members”	holders of Existing Shares
“Share Option Plan”	the Sabien Technology Group Share Option Plan, further details of which are contained in paragraph 11 of Part 6 of this document
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the district of Columbia
“US person”	as defined in Regulation S promulgated under the US Securities Act of 1933

## GLOSSARY OF TECHNICAL TERMS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

“BEMS”	Building Energy Management System – a computer system which allows the monitoring and control of building services including heating, air conditioning and lighting with a view to operating energy consuming systems in an efficient manner
“boiler efficiency”	a measure of the difference between the energy input to a boiler in the fuel and the energy output (steam, hot water, etc)
“carbon footprint”	a measure of the amount of carbon dioxide emitted through the combustion of fossil fuels as part of an organisation’s every day operations
“Carbon Trust”	an independent non-profit organisation which was created by the UK government to help businesses and public organisations to reduce their emissions of carbon dioxide through improved efficiency and developing low carbon technology
“CIBSE”	Chartered Institute of Building Services Engineers, an international body which represents and provides services to the building services profession
“Climate Change Levy”	a tax on energy delivered to most users in the UK introduced on 1 April 2001 with the aim of providing an incentive to increase energy efficiency and reduce carbon emissions
“Enhanced Capital Allowances”	a scheme enabling a business to claim 100 per cent. first year capital allowances on their spending on qualifying energy-saving plant and machinery
“European Union Emissions Trading System”	the largest multi-national greenhouse gas emissions trading scheme which commenced in January 2005 and which aims to control pollution by providing incentives for achieving reductions in emissions





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