

Regulatory Announcement

Company Energy Technique PLC
TIDM ETQ
Headline Half-yearly report
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('Energy Technique' or 'the Company')
Interim Report
30 September 2008
18 December 2008

Headlines

- * Sales in the half year to 30 September 2008 of £4.21 million (2007: £5.57million)
- * Profit before tax in the half year to 30 September 2008 of £215,000 (2007:£502,000)
- * Net cash generated from operations of £495,000 (2007: £348,000)
- * Net positive in hand cash at 30 September 2008 of £1.52 million (2007:£1.25 million)
- * Net assets at 30 September 2008 of £2.48 million (2007: £1.94 million)

Chairman's statement

Introduction

I am pleased to report another profit before tax for the half year to 30 September 2008 of £215,000 (2007: £502,000). Whilst market conditions were less favourable during the first half year, resulting in a reduction in sales volumes, the Company has remained profitable and cash generative. This is a very commendable operating performance and is testament to the engineering excellence of the Company's main operating activity Diffusion Heating & Cooling ('Diffusion') which makes fan coils and commercial heating products and to the Company's lean and fit overhead structure.

Diffusion remains a market leader in the manufacture and supply of premium quality fan coils and commercial heating products to offices, hotels, banks and retail outlets. Diffusion's unrivalled engineering and development expertise continues to innovate highly energy efficient products offering sustainability and lower capital costs. Products are distributed under both the Diffusion and Energy Technique brand names and are recognised throughout the HVAC sector as highly engineered, quality products providing leading edge performance and ultimate energy efficiency.

Group financial performance

Sales in the first half year were £4.21 million (2007: £5.57 million) with Diffusion generating an operating profit of £331,000 (2007: £561,000), representing a margin of 8%. Despite substantial increases in commodity prices affecting the purchase prices of components, selling margins were maintained through a continual process of supplier performance appraisals, combined with improved materials handling and logistics control.

After Central and plc costs of £124,000 (2007: £54,000) and net interest income of £8,000 (2007: £5,000), the Company's profit before tax was £215,000 (2007: 502,000). After a deferred tax charge of £47,000 (2007: nil), profit after tax amounted to £168,000 (2007: £502,000). The deferred tax charge represents the utilisation of tax losses.

Cash flow

Energy Technique also produced a strong figure for net cash generated from operations for the half year of £495,000 (2007: £348,000). This cash flow derived from both profits and a reduction in working capital of £256,000. At 30 September 2008, the Company had a net positive in-hand bank position of £1.52 million (2007: £1.25 million), with no bank borrowings or similar debt. Energy Technique is very soundly financed with this level of cash at bank and net assets at 30 September 2008 of £2.48 million.

Dividends

The Board does not recommend payment of a dividend (2007: £nil). For the present time, the Board believes it is in the Company's best interests to retain its strong liquidity for future growth and expansion purposes.

Diffusion Heating & Cooling ('Diffusion')

Diffusion products are to be found in prestigious office developments and in many of the leading banks, hotels, and retail chains in the UK and Ireland. During the first half year, Diffusion fan coils were installed into many prestigious commercial developments including Bankside phases 1, 2 and 3, Hardman Square, Fenchurch Street, 200 Aldersgate, 30 Eastbourne Terrace and Queen Anne's Gate. Diffusion's commercial heating products also enjoyed a successful half year with products installed into sites operated by customers including Marks & Spencer, Aldi, Primark, Arcadia Group, Boots, Nike, Argos, Debenhams, and Tesco. Notably, Diffusion was successful in winning a contract to supply heating products to a group of schools in the North West.

A number of new marketing initiatives have come to fruition in December. We are pleased to welcome DLA back as an agent for Energy Technique fan coil products, who have an established track record of generating fan coil orders. In addition, we are also delighted to be working in collaboration with a leading Midlands based HVAC supplier, where our aim is to distribute fan coils and commercial heating products through their customer base.

Diffusion continues its drive to offer customers highly energy efficient product development:

- * Working in conjunction with a leading building controls supplier, many of Diffusion's commercial heating products are now fitted with its new energy saving controller, which received the HVAC industry's accolade of the H & V News Product of the Year Award for 2007.
- * The ultimate 'green' fan coil has just been launched using an EC/DC motor, modular construction for maximum flexibility to provide sustainability, reduced energy consumption, and lower capital costs.
- * An air-purifier fan coil fitted with Ecoquest, which uses radiant ionisation to deliver purified air.
- * Grant funding from the South Bank University, allowing the Company access to and collaboration with an even greater pool of technical and development resource.

The production facility at West Molesey has just been re-equipped with a new Laser cutting machine in December 2008 costing in excess of £300,000. This state of the art machinery provides high tech fully automated production capability in the sheet metal shop and will reduce unit costs of production through a combination of both reduced materials usage and increased labour efficiency. This capital expenditure forms part of the continuing production facility upgrades, which included a new test facility in 2007 and is all aimed at maintaining Diffusion's leading edge.

Business strategy

The Board recognises the wider challenges arising from current market trends towards lower building energy consumption and its aim is therefore to expand, both organically and through acquisition, to become a much broader based provider of building energy management solutions to the HVAC sector.

Current trading and prospects

Sales in October and November of the current year were in line with management's expectations. The Company's cost base remains lean and fit.

James W Lugg
Chairman
17 December 2008

Contacts:

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Consolidated income statement

For the six months ended 30 September 2008

	6 months to 30 September 2008 Unaudited £000	6 months to 30 September 2007 Unaudited £000	Year to 31 March 2008 Audited £000
CONTINUING OPERATIONS			
Revenue	4,209	5,575	9,189
Cost of sales	(2,850)	(3,942)	(6,578)
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Gross profit	1,359	1,633	2,611
Distribution costs	(681)	(878)	(1,549)
Operating costs	(471)	(248)	(495)
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Operating profit	207	507	567
Financial income (net)	8	(5)	8
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Profit before taxation	215	502	575
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Taxation	(47)	-	353
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Profit for the financial period from Continuing Operations	168	502	928
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DISCONTINUED OPERATIONS

Loss attributable to Discontinued Operations	-	-	(48)
Profit for the year	168	502	880

Earnings per share:

Basic	0.50p	1.51p	2.64p
Diluted	0.50p	1.51p	2.64p

There are no other recognised gains or losses other than as recorded in the profit and loss account for the period.

Consolidated balance sheet
At 30 September 2008

	30 September 2008 Unaudited £000	30 September 2007 Unaudited £000	31 March 2008 Audited £000
ASSETS			
Non-current assets			
Property, plant and equipment	126	125	142
Deferred tax asset	306	-	353
Total non-current assets	432	125	495
Current assets			
Inventories	750	876	814
Trade and other receivables	1,467	1,801	1,357
Cash and cash equivalents	1,524	1,251	1,037
Total current assets	3,741	3,928	3,208
Total assets	4,173	4,053	3,703
LIABILITIES			
Current liabilities			
Trade and other payables	(1,530)	(1,903)	(1,229)
Tax liabilities	(161)	(214)	(160)
Total current liabilities	(1,691)	(2,117)	(1,389)
Total liabilities	(1,691)	(2,117)	(1,389)
Net assets	2,482	1,936	2,314

EQUITY

Equity attributable to equity holders

Share capital	4,351	4,351	4,351
Share premium account	3,399	3,399	3,399
Other reserves	7,449	7,449	7,449
Retained earnings	(12,717)	(13,263)	(12,885)
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Total equity	2,482	1,936	2,314

Consolidated statement of changes in equity

	Share capital	Share premium account	Other reserves	Retained earnings
Total	£000	£000	£000	£000
Half year ended 30 September 2008- Unaudited				
At 1 April 2008	4,351	3,399	7,449	(12,885)
Total recognised income	-	-	-	168
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At 30 September 2008	4,351	3,399	7,449	(12,717)

Half year ended 30 September 2007- Unaudited

At 1 April 2007	4,351	3,399	7,449	(13,765)	1,434
Total recognised income	-	-	-	502	502
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At 30 September 2007	4,351	3,399	7,449	(13,263)	1,936

Year ended 31 March 2008- Audited

At 1 April 2007	4,351	3,399	7,449	(13,765)	1,434
Total recognised income	-	-	-	880	880
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At 31 March 2008	4,351	3,399	7,449	(12,885)	2,314

Consolidated cash flow statement
For the six months ended 30 September 2008

	6 months to 30 September 2008 Unaudited £000	6 months to 30 September 2007 Unaudited £000	Year to 31 March 2008 Audited £000
Cash flows from operating activities			
Profit before taxation	215	502	527
Finance costs (net)	(8)	5	(8)
Depreciation	32	34	68
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Operating income before changes in working capital	239	541	587
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Decrease/(increase) in inventories	64	(28)	34
(Increase)/decrease in receivables	(110)	(152)	292
Increase/(decrease) in payables	302	(13)	(741)
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Cash generated from operations	495	348	172
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Finance costs	(14)	(5)	(29)
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Net cash generated from operating activities	481	343	143
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Cash flows from investing activities			
Interest received	22	-	37
Purchase of property, plant and equipment	(16)	(4)	(55)
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Net cash generated from/(used in) investing activities	6	(4)	(18)
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Cash flows from financing activities			
Issue of share capital	-	-	-
Repayment of debt	-	-	-
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Net cash generated from financing activities	-	-	-
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Net increase in cash and cash equivalents	487	339	125
Cash and cash equivalents at beginning of period	1,037	912	912
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Cash and cash equivalents at end of period	1,524	1,251	1,037
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Consolidated segmental analysis
For the six months ended 30 September 2008

	6 months to 30 September 2008 Unaudited £000	6 months to 30 September 2007 Unaudited £000	Year to 31 March 2008 Audited £000
Revenue			
Diffusion Heating and Cooling:			
United Kingdom	4,137	4,910	8,244
Rest of Europe	72	484	764
Rest of World	-	181	181
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	4,209	5,575	9,189
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CONTINUING OPERATIONS			
Diffusion Heating and Cooling	331	561	732
Central and plc costs	(124)	(54)	(165)
	<hr/>		
Operating profit	207	507	567
Interest (net)	8	(5)	8
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Profit before tax	215	502	575
Deferred tax (charge)/credit	(47)	-	353
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Profit for the year Continuing Operations	168	502	928
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DISCONTINUED OPERATIONS			
Operating loss before and after taxation	-	-	(48)
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Consolidated profit for the period	168	502	880

Notes to the consolidated interim report
For the six months ended 30 September 2008

1. GENERAL INFORMATION

Energy Technique Plc is a public limited company ('the Company') incorporated in the United Kingdom under the Companies Act 1985 (registration number 13273). The Company is domiciled in the United Kingdom and its registered address is 47 Central Avenue, West Molesey, Surrey KT8 2QZ. The Company's Ordinary Shares are traded on the AIM market of the London Stock Exchange.

2. BASIS OF PREPARATION

Energy Technique Plc has adopted International Financial Reporting Standards ('IFRS') as adopted by the European Union with effect from 1 April 2006. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The same accounting policies and methods of computation are followed in the interim report as compared with the most recent annual financial statements.

3. REPORTING UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS

As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements and therefore the interim financial information is not in full compliance with IFRS.

4. EARNINGS PER SHARE

The earnings per share calculations have been arrived at by reference to the following earnings and weighted average number of shares in issue during the period.

	6 months to 30 September 2008 Unaudited Pence	6 months to 30 September 2007 Unaudited Pence	Year to 31 March 2008 Audited Pence
Basic and diluted earnings per share			
Continuing Operations	0.50	1.51	2.79
Discontinued Operations	-	-	(0.15)
	0.50	1.51	2.64
=====			
	£000	£000	£000
Profit for the financial period after taxation			
Continuing Operations	168	502	928
Discontinued Operations	-	-	48
	168	502	880
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	No.	No.	No.
Weighted average number of shares in issue	33,305,160	33,305,160	33,305,160
Weighted average number of shares on a diluted basis	33,305,160	33,305,160	33,305,160

5. OTHER INFORMATION

The interim financial statements do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The financial information for the year ended 31 March 2008 has been extracted from the statutory financial statements for the Group for that period. These published financial statements in a form consistent with UK GAAP were reported on by the auditors without qualification or an emphasis of matter reference and did not include a statement under Section 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

6. POSTING TO SHAREHOLDERS

In an effort to further reduce costs and in accordance with the AIM regulations, this Interim Report will be announced on the Regulatory Information Service and published on the Company's website www.diffusion-group.co.uk but it will not be posted to shareholders.