21 December 2007

Qonnectis plc

PRELIMINARY RESULTS FOR THE YEAR TO 30 JUNE 2007

Qonnectis plc ("Qonnectis" or "the Company"; stock code: QTI), the energy and water conservation IT services provider**,** announces its audited results for the year to 30 June 2007.

Highlights:

- Turnover almost trebled in comparison to 2006 levels to £304,776
- Gross profit margins widened to 63.6% (2006: 29.1%)
- Reported loss of £861,129 similar to 2006
- Development of Leakfrog® domestic leakage monitoring device in partnership with Thames Water
- New multi-utility monitoring contracts and business wins
- Repeat business from a number of clients

Commenting on the results, Chairman, Richard M. Taylor, said:

"Qonnectis has made strong progress this year as a combination of new customer wins, existing customer roll-outs and the considerable potential of Leakfrog® has greatly strengthened the business.

"Since the year end, we have concluded an exclusive licence arrangement with Thames Water that will allow us to market Leakfrog® nationally and internationally. Additionally, Government moves to encourage the introduction of smart metering for energy and compulsory water metering should be extremely beneficial to our business environment. The Company enters its new financial year with significant momentum and the Board remains optimistic about its continued growth."

Notes to Editors

Editors' notes - About Qonnectis

Qonnectis' patented technologies enable the analysis of remote meter data to facilitate water leakage control, customer profiling, and energy and water management efficiency. Its products are already being used by a wide range of UK and overseas utilities as well as large commercial and domestic users of energy or water.

The iStaq family of products work by sending meter readings to Qonnectis' secure data centre via SMS text messaging over the GSM network. The data is then aggregated and published online via utility-branded "myMeter" websites operated by Qonnectis. The data can also be sent directly to utilities' billings systems. Customers can access real-time information via a web browser using the "myMeter" service.

For further information, please visit www.qonnectis.com.

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CHAIRMAN'S STATEMENT

Results

I am delighted to report that Qonnectis has seen strong revenue growth for the third year in succession, with turnover almost trebling in comparison to 2006 levels to £304,776. Of equal importance is the improvement in our gross profit margins which have widened from 29.1% in the last financial year to 63.6%.

The reported loss of £861,129 was a similar figure to the prior year, reflecting additional investment in research and development.

The most significant event in 2007 has been the development of our Leakfrog® product in partnership with Thames Water, which, for the first time in the UK water industry, enables customer side leakage to be identified and measured. This innovative device has been adopted by Thames Water following successful field trials and is currently being installed as part of their Victorian Mains Renewal Programme. A £200,000 order was placed by them in October and the revenues from this will contribute to the 2008 financial results.

Other highlights of the year included:

- An ongoing relationship with Scottish Water, most notably a £56,000 order for 'iStaq' data loggers and web services.
- New contracts with Schlumberger Oilphase and Redditch Borough Council for multi–utility monitoring.
- Repeat business from a number of the NHS Trusts and local councils, the London Fire and Emergency Planning Authority and Aquavitae.
- New business from Aga Rayburn, Jardine Motors, Smith Bellerby, Larsen Water Management and a number of other organisations.

Fund Raising

In August, shortly after the financial year end, the Company raised £250,000 through a secured convertible loan facility from Security Change Ltd. If not repaid by 31 January 2008, the loan will become immediately convertible. This funding has enabled us to complete the development work on Leakfrog® which led to the £200,000 order from Thames Water.

Board Changes

Guy Chant joined the board as a non-executive director in May, following the resignation of Percival Albuquerque. I would like to take this opportunity to thank Percy for his contribution to Qonnectis since flotation. Guy brings to the Company his extensive experience within the European water industry. He was previously Commercial Director of Thames Water Utilities and External Affairs Director of Thames Water plc.

Outlook

Following the Thames Water order, 'Leakfrog® was launched commercially at a water industry conference in December. The Board anticipates that Leakfrog® will generate significant revenues from the water utility industry in the future.

To date, Qonnectis has primarily focused on the measurement and provision of utility-related data. Whilst we will continue to exploit our technological lead in this area, where we are seeing increasing demand, customer feedback is highlighting opportunities for Qonnectis to address other operational issues – such as how to remediate a leak, improve metering, integrate financial systems, or improve the energy efficiency of heating and air conditioning. Hence we are in conversations with complementary businesses with a view to providing integrated industry solutions, from data gathering to problem-solving for customers.

Richard M Taylor
Chairman
21 December 2007

CHIEF EXECUTIVE'S REVIEW

It is very gratifying to be able to report continued strong progress this year as a combination of new customer wins, existing customer roll-outs and the considerable potential of Leakfrog® has greatly strengthened the business.

Customers and the Market

In my review last year I stated that the key to our profitability is to win repeat orders from existing and new customers. We have seen significant repeat business from existing customers – in particular Scottish Water, Aquavitae and the NHS. Of particular note is that Qonnectis' myMeter service is now fully integrated into Scottish Water's own corporate web site and we continue to partner with them in marketing and selling Qonnectis products and services to businesses throughout Scotland as part of their "Smart Metering" service.

Smart metering is now well-established as a way for energy and water utilities and their major commercial and public sector users to reduce both costs and their impact on the environment. During the year we have added several new blue-chip customers who are using the "Qonnectis Network" system, comprising iStaq data loggers and myMeter web services, to achieve real cost savings and real reductions in energy, CO_2 and water losses. By way of illustration of the benefits derived, we have included three customer case studies in the Annual Report.

Thames Water ("Thames") represents our most significant new customer win this year and I should like to explain the significance of this partnership. As part of their ongoing efforts to reduce leakages via their renewal programme of the Victorian mains system in London, Thames identified a major area of challenge and opportunity as being how to quantify and reduce the level of leakage within homes and private buildings. Domestic monitoring has always presented a challenge for the utility industry – there are millions of properties and hence the associated costs are difficult to justify from an economic standpoint.

Thames set us the challenge to develop a product that would meet their aggressive technical and cost criteria, and I am very pleased to say that our team have been able to deliver. Working in partnership with Thames, we have developed Leakfrog®, a highly functional and cost-effective leakage monitor for the home. Leakfrog® allows water companies to carry out large scale domestic leakage monitoring for the first time and we are highly optimistic that it will be widely adopted within the water industry. The intellectual property rights for Leakfrog are jointly owned by the two parties. Just prior to writing this review we signed a licence agreement with Thames Water and Qonnectis can now market Leakfrog to other UK and overseas water companies.

New products

Last year we restructured our technical resources to focus on production, cost reduction and field support. We have continued to do this in 2007, which necessitated a small increase in our R&D investment to facilitate the Thames Water/Leakfrog® opportunity. By subcontracting manufacture of this highly innovative product to an established facility in the Far East, we have been able to produce Leakfrog® units to high quality standards and very cost-effectively.

Developing new sales channels

Our focus remains very much on boosting sales and product roll-outs to attain profitability. Leakfrog® is set to add significantly to our overall sales, combined with the growing sales of Qonnectis Network products. Having a more effective sales resource, be it internal or external, is one way to achieve this, and we continue to seek additional channels to market. Recently we have increased our efforts to establish strong channel partnerships in our industry and identify resellers with products and services complementary to the Qonnectis offering.

Outlook

The benefits of our technology and services are increasingly being recognised. Pressure on the environment, increasing energy prices and water shortages are leading to more reasons to adopt our technologies. Looking ahead, Government moves to encourage the introduction of smart metering for energy such as seen in the Energy Review earlier in the year, and compulsory water metering, should be extremely beneficial to our business environment.

The underlying business has continued its strong year-on-year growth. With Leakfrog®, we have now added a new product with immense potential that represents a breakthrough for the water industry as a whole. I should like to thank our staff for their great efforts over the past year. Qonnectis enters its new financial year with significant momentum and we remain optimistic about the continued growth of the Company.

Michael Tapia
Chief Executive
21 December 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR TO 30 JUNE 2007

	Note	**Year to 30 June 2007 £**	Year to 30 June 2006 £
TURNOVER	**2**	**304,776**	**109,425**
Cost of sales		(110,985)	(77,553)
GROSS PROFIT / (LOSS)		193,791	31,872
Administrative expenses		(1,106,587)	(920,742)
Other operating income		49,313	75,952
OPERATING LOSS		(863,483)	(812,918)
Interest receivable and similar income		7,354	12,445
Interest payable and similar charges		(5,000)	(6,473)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(861,129)	(806,946)
Tax credit on loss on ordinary activities		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(861,129)	(806,946)
Loss per share – basic	3	(0.40p)	(0.51p)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	30 June 2007 £	30 June 2006 £
FIXED ASSETS		
Goodwill	3,313,995	3,523,852
Tangible assets	8,683	5,916
	3,322,678	3,529,768
CURRENT ASSETS		
Stock	11,906	19,209
Debtors	94,785	99,331
Cash at bank and in hand	44,046	10,410
	150,737	128,950
CREDITORS: amounts falling due within one year	(356,294)	(256,468)
NET CURRENT LIABILITIES	(205,557)	(127,518)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,117,121	3,402,250
CREDITORS: amounts falling due after more than one year	(6,000)	(42,000)
NET ASSETS	3,111,121	3,360,250
CAPITAL AND RESERVES		
Called up share capital	10,270,588	9,658,588
Share premium account	1,675,050	1,675,050
Profit and loss account	(8,834,517)	(7,973,388)
EQUITY SHAREHOLDERS' FUNDS	3,111,121	3,360,250

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR TO 30 JUNE 2006

	Note	30 June 2007 £	30 June 2006 £
Net cash outflow from operating activities	4	**(538,386)**	**(664,961)**
Returns on investments and servicing of finance			
Interest received		7,354	12,445
Interest paid		(5,000)	(6,473)
Net cash in/(out)flow from returns on investments and servicing of finance		**2,354**	**5,972**
Taxation		-	-
Capital expenditure			
Payments to acquire fixed assets		(6,332)	(4,937)
Net cash outflow from capital expenditure		(6,332)	(4,937)
Net cash outflow before financing		(542,364)	(663,926)
Financing			
Issue of share capital		612,000	-
Repayment of other long term loan		(36,000)	(36,000)
Net cash inflow/(outflow) from financing		576,000	(36,000)
Increase/(Decrease) in cash in the period	5	33,636	(699,926)

Notes to the financial statements

1. Basis of preparation of the financial statements

These financial statements have been prepared under the historical cost convention in accordance with the provisions of the Companies Act 1985 and with applicable accounting standards.

These financial statements have been prepared on the assumption that the company is a going concern. The validity of this assumption is dependent on the company's ability to generate sufficient cash flow from revenues or additional borrowing or equity financing to enable it to meet its debts as they fall due for the foreseeable future. When assessing the foreseeable future the directors have considered a period of twelve months from the date of approval of the financial statements.

Should the going concern assumption not be valid then adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for any further liabilities which might then arise and to reclassify fixed assets and long-term liabilities as current assets and liabilities.

2. Turnover

The turnover of the group is attributable to continuing activity for a single inter-related class of business for the provision of products and associated services.

Analysis by geographic market:

	Year to 30 June 2007 £	Year to 30 June 2006 £
United Kingdom	299,875	93,120
Rest of world	4,901	16,305
	304,776	109,425

3. Loss per Share

	Year to 30 June 2007 £	Year to 30 June 2006 £
Basic		
Net loss for the year:	(861,129)	(806,946)
Weighted average number of ordinary shares outstanding	213,508,023	157,408,023
Loss per share	(0.40p)	(0.51p)

FRS 14 requires presentation of diluted loss per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For this company the issue of shares would decrease the net loss per share and, therefore, it does not meet the requirements of FRS 14. Accordingly no diluted EPS has been presented.

4. Reconciliation of operating loss to net cash outflow

	As at 30 June 2007 £	As at 30 June 2006 £
Operating loss	**(863,483)**	**(812,918)**
Depreciation and amortisation of tangible assets	3,565	2,535
Amortisation of goodwill	209,857	209,857
Increase in stock	7,303	(9,608)
Increase in debtors	4,546	(40,476)
(Decrease)/increase in creditors	99,826	(14,351)
Net cash outflow from operating activities	**(538,386)**	**(664,961)**

5. Reconciliation of net cash flow to movement in net funds/(debt)

	As at 30 June 2007 £	As at 30 June 2006 £
Increase/(Decrease) in cash in the period	33,636	(699,926)
Cash outflow from decrease in debt	36,000	36,000
Movement in net debt in the period	**69,636**	**(663,926)**
Net (debt)/funds at beginning of year	(67,590)	596,336
Net (debt)/funds at end of year	**2,046**	**(67,590)**

6. Analysis of net funds/(debt)

	As at 1 July 2006 £	Cashflow £	As at 30 June 2007 £
Cash	10,410	33,636	44,046
Bank overdraft	-		
Cash and cash equivalents	**10,410**	**33,636**	**44,046**
Loan falling due within one year	(36,000)	-	(36,000)
Loan falling due after one year	(42,000)	36,000	(6,000)
Net (debt)/funds	**(67,590)**	**(69,836)**	**2,046**

7. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 for either 2006 or 2007

The summarised balance sheet at 30 June 2007 and the summarised profit and loss account, summarised cash flow statement and associated notes for the year then ended have been extracted from the Group's 2007 statutory financial statements upon which the auditors opinion is unqualified but which does draw attention to the uncertainty as to the realisation of the forecasts and does not include any statement under Section 237 of the Companies Act 1985.
The report and accounts for the year ended 30 June 2007 will be posted to shareholders and will be delivered to the Registrar of Companies in accordance with the statutory timetable. The Annual General Meeting will be held at 2pm on 29th January 2008 at 170 Windmill Road West, Sunbury-on-Thames, Middlesex, TW16 7HB. Copies of the report and accounts will also be available from Qonnectis plc's registered office: 85 Elsenham Street, London SW18 5NX.