

SABIEN TECHNOLOGY GROUP PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011





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www.sabien-tech.co.uk

COMPANY INFORMATION

DIRECTORS	DR CLIVE MORTON OBE (CHAIRMAN) ALAN O'BRIEN GUS ORCHARD KARL MONAGHAN DR MARTIN BLAKE (APPOINTED 15 OCTOBER 2010)
SECRETARY	GUS ORCHARD
COMPANY NUMBER	05568060
REGISTERED OFFICE	34 CLARENDON ROAD WATFORD HERTS WD17 1JJ
WEBSITE	WWW.SABIEN-TECH.CO.UK
AUDITORS	KINGSTON SMITH LLP CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS DEVONSHIRE HOUSE 60 GOSWELL ROAD LONDON EC1M 7AD
BANKERS	NATIONAL WESTMINSTER BANK PLC 72-74 HIGH STREET WATFORD HERTS WD17 2GZ
NOMINATED ADVISER	ALTIVUM CAPITAL LIMITED 6TH FLOOR, BELVEDERE BOOTH STREET MANCHESTER M2 4AW
BROKER	ALTIVUM CAPITAL LIMITED 30 ST JAMES'S SQUARE LONDON SW1Y 4AL
REGISTRARS	CAPITA REGISTRARS NORTHERN HOUSE WOODSOME PARK FENAY BRIDGE HUDDERSFIELD HD8 0LA
SOLICITORS	MOORE BLATCH 11 THE AVENUE SOUTHAMPTON HANTS SO17 1XF

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CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

WE ARE PLEASED TO REPORT ON THE RESULTS FOR SABIEN TECHNOLOGY GROUP PLC ("SABIEN", "THE COMPANY" OR "THE GROUP") FOR THE YEAR ENDED 30 JUNE 2011.

SABIEN TECHNOLOGY GROUP HIGHLIGHTS 2011

- ▣ Sales for the year up 114% to £2.09m from £0.97m
- ▣ Post-tax profits of £0.23m compared with a loss after tax of £0.34m in 2010
- ▣ Notable contract wins in the 12 months included: London Borough of Greenwich; Monteray: British Telecom; Norland/Integral: Lloyds Banking Group; Corrigena: Hampshire County Council; Cofely: Royal Botanical Gardens Kew; Lincolnshire County Council
- ▣ Sales from indirect partners increased by 148% to £0.38m from £0.15m in 2010 representing 18% of total sales revenue
- ▣ Greffen Systems, Inc.: Sabien's US Distributor placed orders for £0.3m
- ▣ Net cash balance at 30 June 2011 was £1.03m (2010: £0.96m)
- ▣ Sales pipeline of £7.7m at 30 June 2011 up from £3.5m at 30 June 2010
- ▣ In May 2011, Sabien was awarded the Jones Lang LaSalle's inaugural Supplier of Distinction Award for Energy & Sustainability
- ▣ Appointment of Dr Martin Blake to the Board

HIGHLIGHTS SINCE THE YEAR END

- ▣ Sales orders received since 1 July 2011 total £0.8m, an increase of 38% over the same period last year
- ▣ Growing sales pipeline currently standing at c.£8.3m which includes over 100 blue chip private and public sector multi-site organisations

INTRODUCTION

For the period under review and subsequent to it, Sabien has continued to make significant progress in delivering new sales, developing its sales pipeline and establishing a reputation as a proven and trusted green technology provider in the UK.

HISTORY AND MARKET DEVELOPMENT

Sabien was set up in 2004 to commercialise M2G, a boiler energy efficiency technology, which reduces gas and oil consumption in commercial boilers. In May 2006, Sabien acquired the Intellectual Property and all commercial rights to M2G and floated on AIM in December 2006. In March 2009, Sabien obtained Underwriters Laboratories (UL) certification which enabled M2G to be sold in the USA.

The demand for energy efficient products is still growing, driven increasingly by regulation as well as the need to cut the ever increasing cost of fuels. In the UK, the government's CRC Energy Efficiency Scheme requires larger companies to purchase CO₂ credits according to how much CO₂ they produce and is designed to encourage a proactive approach to reducing CO₂ emissions.

We are seeing ever increasing levels of interest in our M2G boiler controller and our pipeline of new business opportunities is very encouraging. We are currently in negotiations with a number of potential customers for multiple units across multiple sites and are hopeful that these sales can be secured in the second half of the current year.

FINANCIAL RESULTS

Turnover in the year was £2.09m compared with £0.97m for the same period last year. The profit after taxation was £0.23m compared with a loss of £0.34m in the same period last year.

At 30 June 2011, cash and cash deposits amounted to £1.03m (2010: £0.97m).

OVERVIEW

We are pleased with our performance this year and with the move to profitability. Our pipeline continues to grow significantly and we believe the continued uplift in both public and private sector contract awards will sustain our progress towards ever-increasing profitability. The progress is in large part due to the successful conversion of our Project 10 M2G pilots, which we have carried out over the last few years, into commercial orders and in many cases further repeat orders. Our progress has also been augmented by the broadening of our UK Alliance partner programme which again has proved very successful with orders being placed throughout the year.

The opportunities for Sabien continue to be very positive with the implementation of the CRC Energy Efficiency Scheme (formerly the Carbon Reduction Commitment) in the UK, which became effective on 1 April 2010 and which, following the government's Comprehensive Spending Review, has now become a direct tax on energy usage in the country's largest companies. Most importantly, the scheme is no longer revenue neutral to the Exchequer. Money paid for allowances will not now be recycled to participants and the league table on which repayments were to be based now has a purely reputational impact. A recent commentary by KPMG states that the scrapping of the revenue recycling could easily represent a five to ten fold increase in costs for most participants. The announced changes are likely to make all energy efficiency payback periods shorter which in turn makes Sabien's M2G an even more attractive proposition.

The focus on reducing energy costs and ever increasing commitments to reduce carbon emissions are driving the interest and demand for our products from public and private sector organisations. Sabien's M2G product is specifically aimed at providing a proven effective solution to the CRC problem for organisations which are affected by the CRC legislation. M2G reduces the cost of running gas and oil fired boilers and the associated carbon emissions by up to 35%.

During the year, 54% of Sabien's revenue came from the public sector and this is expected to grow in the future despite the pressures being put on public sector finances. The public sector financing review is focused on driving efficiencies and reducing operating costs to include energy consumption and CO₂ emissions. Sabien's M2G offers a quick and cost effective solution to their energy efficiency problems and public sector organisations have benefited from Salix funding which offers them a route to finance the capital cost of their energy efficiency programmes. Our public sector M2G sales pipeline consists of a number of entities which have already received Salix funding approval.

In the Group's interim report, we said that there had been strong customer demand with a significant year on year increase in sales quotations and steadily increasing sales orders. As already announced, a number of significant orders have been received since the year end. Many of these orders are for initial phases of roll-out which are being installed and we expect to receive further significant orders from these customers for further phases of roll-out both in the current financial year and beyond.

STRATEGY

We continued to make good progress on our strategy during the year which is to become a supplier of choice for private and public sector organisations that are faced with delivering on their energy and carbon reduction strategies.

PROJECT 10

We continue to offer Project 10 (P10) pilot schemes funded by the client and are scheduled to commence trials for the current heating season with many well-known blue-chip private and large public UK multi-site organisations.

P10 is a scheme whereby we agree to install M2Gs at up to 3 sites in each of 10 large prospective customers and to monitor the results for periods from 1 to 3 months. At the conclusion of the pilot period, a report is produced for each customer in which the results of the pilot are presented along with an estimate of the likely levels of savings in energy and CO₂ emissions were M2G to be deployed over the customer's estate.

The successful conversion of our P10 M2G pilots into orders and subsequent repeat orders has proven to be the driving catalyst behind our move to profitability during this financial year.

OPERATIONAL PROGRESS

We continue to develop and strengthen our technical expertise in the energy efficiency market and to help our clients reduce energy costs and carbon emissions.

During the period under review Sabien continued to develop its "Alliance Programme" with £0.38m of total sales for the period under review coming from indirect sales channels, a 148% increase compared to the previous year. Orders were received from a number of leading UK Utility and Facility Management Companies including Cofely, E.ON, EDF Energy, Carillion, RWE, Norland Group, MITIE Group, Interserve, Scottish and Southern Electric Contracting, Babcock and EC Harris.

In May 2011, Sabien was awarded the Jones Lang LaSalle's inaugural Supplier of Distinction Award for Energy & Sustainability. The award recognises Sabien's dedication to delivering the highest calibre of services, value and innovation to Jones Lang LaSalle's clients. Sabien received the award following the installation of its patented M2G boiler load optimisation control at a number of Jones Lang LaSalle's client sites, delivering significant gas savings and reduced carbon emissions.

Greffen Systems Inc., Sabien's non-exclusive distributor in the United States, has seen strong growth over the past financial year. Significant developments include:

- Validation of M2G by Texas A&M University Energy Systems Laboratory (a leading university) and Southern California Gas and Electric (one of the largest utilities in the US)
- The placing of orders totalling £0.3m with Sabien during the course of the financial year 2010/2011
- Selection by The Cooperative Purchasing Network ("TCPN") as the winner of a national bid process for boiler sequencing controllers. TCPN is a national governmental purchasing cooperative able to leverage the purchasing potential of governmental entities in all 50 states. TCPN competitively bids and awards contracts to national vendors in accordance with purchasing procedures mandated by state procurement laws and regulations. TCPN contracts are available for use by, and benefit, public and private schools, colleges and universities, cities, counties, non-profits and all governmental entities.

We continue to participate in trade shows and exhibitions and have generated a large volume of sales prospects from these. Sabien's name is increasingly being recognised in the sector of energy efficiency and the number of prospects that contact us directly as a result of client referrals and our marketing efforts has increased materially.

FUTURE DEVELOPMENTS

The Group has started early stage research in developing an alternative application using its core M2G technology. This research is at too early a stage to determine whether it will be successful but customers have already expressed interest in the product and the Group will continue to monitor progress closely over the coming months.

The Group continues to promote its M2G technology via its network of alliance partners and through its in-house business development team. Interest levels in M2G from our alliance partners' clients is at an all-time high and with new partners joining the programme, sales of M2G via this channel this year are expected to grow significantly.

BOARD, MANAGEMENT AND PEOPLE

We are delighted to welcome Dr Martin Blake to the Board. Martin led the social responsibility and sustainability teams at Royal Mail Group PLC and has a deep knowledge of the energy efficiency industry. He has recently been named as one of the top 100 Global Sustain Ability Leaders in 2011 by the Sustain Ability Showcase Asia and ABC Carbon.

We would like to thank our shareholders for their continued support, our fellow directors and all the Company employees whose efforts have contributed to the progress of the Company over the last twelve months. Their efforts have been crucial to our achievements.

OUTLOOK

Looking ahead, our Group has never been stronger or better positioned to capitalise on the increasing demand for our proven energy efficiency technologies.

The Group has made a good start to the new financial year and since 1 July 2011 has received purchase orders totalling £0.8m, an increase of 38% over the same period last year, all of which will be recognised as revenue in the first half of the current financial year.

The size of our business pipeline at c.£8.3m is at a record level. We have a high quality customer base which includes many local authorities and blue-chip private and large public companies. These facts plus the level of orders received, which represent to a large extent initial phases of roll-out and which should generate significant future revenues, along with a well-controlled cost base, all enable the Directors to feel very confident about the future.

DR CLIVE MORTON OBE
CHAIRMAN

ALAN O'BRIEN
CHIEF EXECUTIVE OFFICER

24 OCTOBER 2011

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2011

The directors present their report and the consolidated financial statements for the year ended 30 June 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the design, manufacture and sale of M2G, a boiler energy efficiency technology, which is proven to reduce energy consumption on commercial boilers by up to 35%.

REVIEW OF BUSINESS

A review of the business, its development and performance for the year and its position at the year end, together with the future prospects of the Group, is contained in the Chairman and Chief Executive Officer's Report.

KEY PERFORMANCE INDICATORS

Financial: The management's focus is on the development of the sales pipeline, the maintenance of healthy gross margins and prudent cost control. The two main performance indicators are unit sales and maintenance of a healthy gross profit margin. During the year, the group sold 1,257 units (2010: 539 units) and the gross profit margin was 74% (2010: 84%). This decrease is in line with expectations as the volume of business generated by indirect partners continues to grow. Overhead costs in the year increased by just over 2% and any increase in overheads in future will be dependent on the increase in the volume of business.

Non-financial: The management is constantly aware of the need to recruit and retain key personnel.

GOVERNANCE AND THE BOARD

The Board's governance system provides balanced support for the executive management team in the development of the Group's strategy and with the need to ensure effective monitoring of its implementation. Dr Martin Blake was appointed to the Board on 15 October 2010. The full Board and its committees have considered the significant events of the year and their impact on the Group's business and reputation.

The Audit Committee is currently chaired by Karl Monaghan; the Remuneration Committee is chaired by Dr Clive Morton. The Board remains confident in the work of those committees and the overall system of governance.

RESULTS AND DIVIDENDS

The Group profit for the year, after taxation, amounted to £234k (2010: £344k loss). In view of the cumulative losses, no dividend is proposed.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group places great importance on internal control and risk management. A risk-aware and control-conscious environment is promoted and encouraged throughout the Group. The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Group.

The key business risks are set out below:

COMMERCIAL – the Group operates in a competitive market and faces competition for its M2G product from alternative technologies and products that claim to compete with it but which are technically inferior. The risk is mitigated by the recognition in the market of the quality of the M2G product, the breadth of the customer base and the added services that the Group supplies through its management of the installation process.

ECONOMIC – the Group is subject to the same economic risks that other businesses have been subject to during the economic downturn. The Group sells into both the Public and Private sectors and monitors the mix of its customers to ensure that it does not rely on any one particular sector or sub-sector for its revenue.

EMPLOYEE – the Group recognises that retention of its key staff is essential for its future prospects. It has entered into contractual arrangements with all key personnel and has designed and implemented share incentive schemes to encourage staff loyalty.

FINANCIAL – the Group has a specific exposure to credit risk, with lesser exposure to interest rate and exchange rate fluctuations. The directors seek to manage these risks by working closely with customers, suppliers and financiers in order to maintain good working relationships.

The risks outlined above are not an exhaustive list of those faced by the Group and are not intended to be presented in any order of priority.

The Group holds bi-monthly Management Meetings at which, inter alia, business risks are reviewed and any areas that are causing concern are discussed. A plan of action to resolve issues is then put in place.

DIRECTORS

The Directors who served during the year and their beneficial interest in the Company's issued share capital were:

Date of appointment		Ordinary shares of 5p each			
		2011	%	2010	%
A.O'Brien	25 October 2005	11,700,000	37.2	11,700,000	37.2
G.Orchard	10 October 2006	100,000	0.3	100,000	0.3
C.Morton	20 December 2006	500,000	1.6	500,000	1.6
K.Monaghan	1 September 2007	1,258,850	4.0	1,258,850	4.0

There has been no change in Directors' holdings since the year end.

Dr Martin Blake, who was appointed a Director on 15 October 2010, does not have a beneficial interest in the Company's issued share capital.

SUBSTANTIAL SHAREHOLDINGS

At the date of this report, the Company had been notified that (other than Directors) the following were interested in 3% or more of the issued capital of the Company:

	Number of Ordinary shares	% of issued share capital
SE Global SA	3,303,333	10.49
Amati Global Investors	2,487,000	7.90
Brewin Dolphin Ltd	1,948,629	6.19
Jupiter Asset Management	1,860,000	5.91
Legal & General Investment Management	1,600,000	5.08
Aviva Investors	1,461,450	4.64
TVI 2 Limited	1,450,000	4.61

At the date of this report, there were 31,486,511 shares in issue. TVI 2 Limited also held 1,518,356 warrants which are convertible into ordinary shares at a price of 6.42p at any time after 7 February 2010 for a period of 5 years from 7 August 2009.

GROUP'S POLICY FOR PAYMENT OF CREDITORS

It is the Group's policy to agree appropriate terms and conditions in advance for its suppliers and to make payment in accordance with those terms and conditions, provided that the supplier has complied with them.

On average the Group pays undisputed amounts to its trade creditors within 30 days. At 30 June 2011, creditors' days were 18 days (2010: 17 days).

AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The auditors, Kingston Smith LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved and authorised for issue by the Board on 24 October 2011 and signed on its behalf by:

GUS ORCHARD
COMPANY SECRETARY

CORPORATE GOVERNANCE

The Combined Code requires that disclosures be made on how the principles of the Code have been applied (known as "the appliance statement") and whether or not the Company has complied with these principles (known as "the compliance statement"). The Combined Code is intended to promote the principles of openness, integrity and accountability.

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE AND APPLYING THE PRINCIPLES OF GOOD GOVERNANCE

The Company is committed to high standards of corporate governance throughout the Group. As an AIM company, it is not obliged to report its compliance with the Principles of Good Governance and Code of Best Practice published by the Committee on Corporate Governance ("The Combined Code"). Nonetheless, the Company is committed to meeting these principles as far as it reasonably can and the commentary below reflects the extent to which the Company has complied with The Combined Code during the period under review.

BOARD EFFECTIVENESS

The Board, which is set up to manage the Company and Group, meets formally at least six times per year and in the period under review met on eleven occasions. At the period end, the Board comprised five directors – two executive and three Non-Executive.

At each of these regular Board meetings, the Board receives the latest financial and management information available which generally consists of:

- ▣ Management accounts setting out actual performance against budget;
- ▣ Management discussion on variance analysis;
- ▣ Working capital cash flow position; and
- ▣ Sales forecasts and forecasting methodologies.

The Board reserves to itself a range of key decisions to ensure that it retains proper direction and control of the Company whilst delegating authority to individual directors who are responsible for the day to day management of the business.

All directors have access to the advice and services of the Company Secretary and can also seek independent professional advice, if necessary, at the Company's expense.

BOARD APPOINTMENTS

All appointments to the Board are discussed at a full Board meeting and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

As permitted by the Combined Code, due to the small size of the Board, it is considered inappropriate to establish a Nominations Committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has shown its commitment to dividing responsibility for running the Board and the business by appointing Dr Clive Morton as Non-Executive Chairman and Mr Alan O'Brien as Chief Executive Officer.

THE REMUNERATION COMMITTEE

The Remuneration Committee, which is composed of the Non-Executive directors and chaired by Dr Clive Morton, meets as required during each financial year. 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.

THE AUDIT COMMITTEE

The Audit Committee, which is composed of the Non-Executive directors and during the year under review was chaired by Karl Monaghan, meets no less than twice a year. It is responsible for making recommendations to the Board on the appointment of 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 Group and for reviewing financial statements prior to publication.

RE-ELECTION OF DIRECTORS

Directors retire by rotation in accordance with the Company's Articles of Association which prescribe that at every Annual General Meeting one third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one third, shall retire from office. Non-Executive directors are initially appointed for a three year term but their appointment is terminable by either party on three months' written notice.

SHAREHOLDER RELATIONS

The Company maintains a website (www.sabien-tech.co.uk) where the Group's statutory accounts will be accessible. The website conforms to the requirements of AIM rule 26 and all relevant information can be found there.

Queries raised by shareholders are dealt with either by the Chief Executive Officer or the Company Secretary.

ACCOUNTABILITY AND AUDIT

The Board believes that the Annual Report and financial statements play an important part in presenting all shareholders with an assessment of the Group's position and prospects. This is achieved in the Chairman and Chief Executive Officer's Report which contains a detailed consideration of the Group's financial position and prospects.

INTERNAL CONTROL

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The purpose of the system of internal control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular, there are clear procedures for capital investment appraisal and approval and financial reporting within a comprehensive financial planning and accounting framework. The Board has reviewed the need for an internal audit function and concluded that such a function is not currently appropriate given the size of the Group.

REMUNERATION REPORT

This report should be read in conjunction with note 10 to the accounts. The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. In doing so, the Committee's aims are:

- To determine the policy for the remuneration of the executive directors;
- To review the on-going appropriateness of the remuneration policy;
- To approve the design of and review share incentive plans and bonus schemes and to determine the awards to be made under such plans or schemes;
- To ensure that the remuneration policies adopted by the Company give due regard to any legal requirements, the provisions and recommendations in the Combined Code and the AIM rules and associated guidance.

The components of remuneration are:

- Basic salary and benefits determined by the Remuneration Committee which are included in employment agreements and reviewed annually;
- Bonuses based upon performance of the Company and the individual concerned;
- Share options.

SERVICE CONTRACTS

The employment contracts of the Executive Directors with the Company are terminable by either party with no less than six months' notice in writing to the other. The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association.

The service contracts of the Directors, one third of whom who are eligible for re-election at the AGM, are as follows:

	Notice period
A.O'Brien	6 months
G.Orchard	6 months
C.Morton	3 months
K.Monaghan	3 months
M.Blake	3 months

DIRECTORS' REMUNERATION DURING THE PERIOD (AUDITED)

Executive directors	Salaries and fees £'000	Taxable benefits £'000	2011 £'000	2010 £'000
A.O'Brien	136	1	137	137
G.Orchard	90	3	93	93
Non-Executive directors				
C.Morton	30	–	30	30
K.Monaghan	25	–	25	25
M.Blake	18	–	18	–
Total	299	4	303	285

Fees paid to C.Morton and K.Monaghan were paid to The Morton Partnership and Ashling Capital LLP respectively.

SABIEN TECHNOLOGY GROUP SHARE OPTION PLAN (AUDITED)

Under the Plan, the Group can make awards of share options to selected directors and eligible employees.

Details of options for directors who served during the year are as follows:

	Date of Grant	1 July 2010	Granted	30 June 2011	Exercise price	Date from which exercisable	Expiry Date
A.O'Brien	14/12/06	500,000		500,000	52p	14/12/09	14/12/13
	01/04/10	74,483		74,483	54.5p	01/04/13	01/04/17
G.Orchard	14/12/06	346,152		346,152	52p	14/12/09	14/12/13
	01/04/10	51,565		51,565	54.5p	01/04/13	01/04/17
K.Monaghan	12/10/07	100,000		100,000	50p	12/10/10	12/10/14
	01/04/10	14,323		14,323	54.5p	01/04/13	01/04/17
C.Morton	01/04/10	55,046		55,046	54.5p	01/04/13	01/04/17
M.Blake	25/11/10	–	91,743	91,743	54.5p	25/11/13	25/11/17
Total		1,141,569	91,743	1,233,312			

The mid-market price of the Company's shares at the end of the financial year was 36p.

DR CLIVE MORTON OBE

CHAIRMAN OF THE REMUNERATION COMMITTEE

24 OCTOBER 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law, the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law, the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- ▣ properly select and apply accounting policies;
- ▣ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ▣ provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- ▣ make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation as a whole together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

ALAN O'BRIEN
CHIEF EXECUTIVE OFFICER

24 OCTOBER 2011

GUS ORCHARD
FINANCE DIRECTOR

24 OCTOBER 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SABIEN TECHNOLOGY GROUP PLC

We have audited the Group and Company financial statements (the "financial statements") of Sabien Technology Group PLC for the year ended 30 June 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit includes obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report (Chairman & Chief Executive Officer's Report, Directors' Report, Corporate Governance and Remuneration Report) to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- ❑ The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- ❑ The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ❑ The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- ❑ The part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- ❑ The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ❑ Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ❑ The parent company financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records and returns; or
- ❑ Certain disclosures of directors' remuneration specified by law are not made; or
- ❑ We have not received all the information and explanations we require for our audit.

JOHN STANIFORTH (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KINGSTON SMITH LLP, STATUTORY AUDITOR

Devonshire House
60 Goswell Road
London EC1M 7AD

28 OCTOBER 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 £'000	2010 £'000
Revenue		2,087	973
Cost of sales		(549)	(160)
Gross profit		1,538	813
Administrative expenses		(1,354)	(1,322)
Operating profit/(loss)		184	(509)
Investment revenues	6	10	5
Other gains and losses	7	–	173
Finance costs	8	–	(13)
Profit/(loss) before tax	5, 10	194	(344)
Tax	11	40	–
Profit/(loss) for the year attributable to equity holders of the parent company		234	(344)
Other comprehensive income			
Transfer from Shares to be issued		–	(18)
Transfer to Retained earnings		–	18
Other comprehensive income for the year		–	–
Total comprehensive income for the year		234	(344)
Earnings/(loss) per share in pence – basic	12	0.7	(1.2)
Earnings/(loss) per share in pence – diluted	12	0.7	(1.2)

The Earnings/(loss) per share calculation relates to both continuing and total operations.

The notes on pages 19 to 33 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEET

AS AT 30 JUNE 2011
COMPANY REG NO: 05568060

	Notes	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Non-current assets					
Property, plant and equipment	14	32	16	–	–
Intangible assets	15	697	744	–	–
Investment in subsidiaries	16	–	–	587	216
Total non-current assets		729	760	587	216
Current assets					
Inventories	17	147	128	–	–
Trade and other receivables	18	471	295	522	547
Cash and cash equivalents	19	1,033	965	786	903
Total current assets		1,651	1,388	1,308	1,450
Total assets		2,380	2,148	1,895	1,666
Current liabilities					
Trade and other payables	20	188	220	27	84
Total current liabilities		188	220	27	84
Total liabilities		188	220	27	84
Net Assets		2,192	1,928	1,868	1,582
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	21	1,574	1,574	1,574	1,574
Other reserves		2,797	2,767	3,568	3,538
Retained (losses)		(2,179)	(2,413)	(3,274)	(3,530)
Total equity		2,192	1,928	1,868	1,582

The financial statements were approved and authorised for issue by the Board on 24 October 2011 and were signed on its behalf by:

ALAN O'BRIEN
CHIEF EXECUTIVE OFFICER

GUS ORCHARD
FINANCE DIRECTOR

The notes on pages 19 to 33 form part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash flows from operating activities				
Profit/(loss) before taxation	194	(344)	256	(249)
Adjustments for:				
Depreciation and amortisation	61	64	–	–
Exceptional gains	–	(247)	–	(247)
(Decrease)/increase in impairment provision	–	74	(371)	328
Finance income	(10)	(5)	(28)	(20)
Finance expense	–	13	–	15
Transfers to equity reserves	30	18	30	18
(Increase)/decrease in trade and other receivables	(136)	(133)	24	(414)
(Increase)/decrease in inventories	(19)	9	–	–
Increase/(decrease) in trade and other payables	29	33	5	(9)
Cash generated from/(used in) operations	149	(518)	(84)	(580)
Corporation taxes recovered/(paid)	–	–	–	–
Net cash inflow/(outflow) from operating activities	149	(518)	(84)	(580)
Cash flows from investing activities				
Payment of deferred consideration in respect of acquisition of intellectual property	(61)	–	(61)	–
Purchase of property, plant and equipment	(30)	–	–	–
Finance income	10	5	28	20
Net cash (used in)/generated by investing activities	(81)	5	(33)	20
Cash flows from financing activities				
Proceeds from share placement	–	1,399	–	1,399
Repayment of long term borrowings	–	(840)	–	(840)
Proceeds from long-term borrowings	–	400	–	400
Finance expense	–	(6)	–	(6)
Net cash from financing activities	–	953	–	953
Net increase/(decrease) in cash and cash equivalents	68	440	(117)	393
Cash and cash equivalents at the beginning of the year	965	525	903	510
Cash and cash equivalents at the end of the year	1,033	965	786	903

The notes on pages 19 to 33 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2009	1,329	2,268	(771)	92	60	(2,087)	891
Changes in equity for year							
Loss for the year	–	–	–	–	–	(344)	(344)
Issue of Share Capital	245	1,154	–	–	–	–	1,399
Transfer from shares to be issued	–	–	–	(54)	–	18	(36)
Employee share option scheme – value of services provided	–	–	–	–	18	–	18
Balance at 30 June 2010	1,574	3,422	(771)	38	78	(2,413)	1,928
Changes in equity for year							
Profit for the year	–	–	–	–	–	234	234
Employee share option scheme – value of services provided	–	–	–	–	30	–	30
Balance at 30 June 2011 carried forward	1,574	3,422	(771)	38	108	(2,179)	2,192

The notes on pages 19 to 33 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2009	1,329	2,268	92	60	(3,299)	450
Changes in equity for year						
Loss for the year	–	–	–	–	(249)	(249)
Issue of Share capital	245	1,154	–	–	–	1,399
Transfer from shares to be issued	–	–	(54)	–	18	(36)
Employee share option scheme – value of services provided	–	–	–	18	–	18
Balance at 30 June 2010	1,574	3,422	38	78	(3,530)	1,582
Changes in equity for year						
Profit for the year	–	–	–	–	256	256
Employee share option scheme – value of services provided	–	–	–	30	–	30
Balance at 30 June 2011 carried forward	1,574	3,422	38	108	(3,274)	1,868

The notes on pages 19 to 33 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

The Company is incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on page 1.

The nature of the Group's operations and principal activities are set out in the Directors' Report.

1. ACCOUNTING POLICIES

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

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

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

The directors believe that the Group is a going concern and have accordingly prepared these financial statements on a going concern basis.

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

b) **BASIS OF CONSOLIDATION:** The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

Except as noted below, the financial information of subsidiaries is included in the consolidated financial statements using the acquisition method of accounting. On the date of acquisition the assets and liabilities of the relevant subsidiaries are measured at their fair values.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

ACCOUNTING FOR THE COMPANY'S ACQUISITION OF THE CONTROLLING INTEREST IN SABIEEN TECHNOLOGY LIMITED: The Company's controlling interest in its directly held subsidiary, Sabieen Technology Limited, was acquired through a transaction under common control, as defined in IFRS 3 Business Combinations. The directors note that transactions under common control are outside the scope of IFRS 3 and that there is no guidance elsewhere in IFRS covering such transactions.

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

In contrast to IFRS 3, FRS 6 sets out accounting guidance for transactions under common control which, as with IFRS 3, are outside the scope of that accounting standard. The guidance contained in FRS 6 indicates that merger accounting may be used when accounting for transactions under common control.

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

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

FINANCIAL LIABILITIES

The Group classifies its financial liabilities as trade payables and other short term monetary liabilities. Trade payables and other short term monetary liabilities are recorded initially at their fair value and subsequently at amortised cost. They are classified as non-current when the payment falls due greater than 12 months after the balance sheet date and are described in note 20.

i) CASH AND CASH EQUIVALENTS

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

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

Revenue from services generally arises from pilot projects for customers and is recognised once the pilot has been completed and the results notified to the customer. Pilot projects generally have a duration of between 1 and 3 months. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

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

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

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural conditions.

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

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

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

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

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

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

n) STANDARDS, AMENDMENT AND INTERPRETATIONS EFFECTIVE IN 2011

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2010, but are not currently considered to be relevant to the Group (although they may affect the accounting for future transactions and events).

- Improvements to IFRSs 2009- This is the second set of amendments published under the IASBs annual improvements process and incorporates minor amendments to twelve standards and interpretations. The amendments are effective for annual periods beginning on or after 1 January 2010.

- ❑ IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
- ❑ 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer and should be applied for annual periods beginning on or after 1 February 2010.
- ❑ IAS 36 (amendment) 'Impairment of assets', effective 1 January 2010 clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'.
- ❑ IFRS 2 (amendments), 'Group cash-settled share-based payment transactions'; was effective from 1 January 2010 and expands the guidance contained in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- ❑ IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2010.
- ❑ IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations.
- ❑ IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.
- o) **STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP**

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2010 and have not been early adopted:

- ❑ Improvements to IFRSs 2010 – This is the third set of amendments published under the IASBs annual improvements process and incorporates minor amendments to seven standards and interpretations. The amendments are effective for annual periods beginning on or after 1 January 2011.
- ❑ Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards – These amendments provide limited exemption for comparative IFRS 7 disclosures for first-time adopters. The amendments are effective for annual periods beginning on or after 1 January 2011.
- ❑ Amendments to IFRS 7 'Financial Instruments: Disclosures'-These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments are effective for annual periods beginning on or after 1 July 2011.
- ❑ IFRS 9, 'Financial instruments', issued in November 2009. This addresses the classification and measurement of financial assets and may affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.
- ❑ Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24 (revised), 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011 and clarifies and simplifies the definition of a related party. The Group will apply the revised standard from 1 July 2011 and when applied the Group and the parent will need to disclose any transactions between its subsidiaries.
- ❑ 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14), issued in November 2009. The amendments are effective for annual periods beginning 1 January 2011.
- ❑ IFRS 10, 'Consolidated Financial Statements', issued in May 2011. This includes a revised definition of control which forms the centre of a new consolidation model. The revised definition states that control exists when an investor has the right to variable returns and has the ability to affect those returns through its power over the investee. The standard is applicable to annual periods beginning on or after 1 January 2013.
- ❑ IFRS 11, 'Joint Arrangements', issued in May 2011. The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. The effective date of the standard is 1 January 2013.

- ❑ IFRS 12, 'Disclosure of interest in other entities', issued in May 2011. The standard is a comprehensive standard on the disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The effective date of the standard is 1 January 2013.
- ❑ IFRS 13, 'Fair Value Measurement', issued in May 2011. The standard sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. The effective date of the standard is 1 January 2013.

2. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks arising from its use of financial instruments: credit risk, liquidity risk and market risk. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further quantitative information in respect of these risks is presented throughout these financial statements. So far, there have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instruments used by the Group, from which the financial instrument risk arises, are as follows:

- ❑ trade and other receivables
- ❑ cash and cash equivalents
- ❑ trade and other payables

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board reviews regular finance reports from the Finance Director through which it evaluates any risk exposures with a view to minimising any potential adverse effects on the Group's financial performance. So far, the Group has not used derivative financial instruments to hedge risk exposures as its activities and operations exposure to such risks are not deemed significant. Transactions that are speculative in nature are expressly forbidden.

Details regarding the policies that address financial risk are set out below:

(i) CREDIT RISK

Credit risk arises principally from the Group's trade receivables and cash and cash equivalents. It is the risk that the counterparty fails to discharge its obligation in respect of the instruments.

TRADE RECEIVABLES

The nature of the Group's operations means that all of its current key customers are established businesses and organisations in both the public and private sector. The credit risks are minimised due to the nature of these customers and the concentration of sales to date within established economies. The Group will continually review its credit risk policy, taking particular account of future exposure to developing markets and associated changes in the credit risk profile.

The carrying amount in the balance sheet, net of any applicable provisions for loss, represents the amount exposed to credit risk and hence there is no difference between the carrying amount and the maximum credit risk exposure.

(ii) LIQUIDITY RISK

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due and have the availability of such funds for its operations. Management monitors rolling forecasts of the Group's liquidity reserve which comprises cash and cash equivalents on the basis of expected cash flow. At the balance sheet date, these projections indicate that the Group expects to have sufficient liquid resources to meet its obligations under all reasonable expected circumstances for the forthcoming year. The Group continues to monitor its liquidity position through budgetary procedures and cash flow analysis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due in less than 1 year equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 30 June 2011				
Trade and other payables and accruals	188	–	–	–
At 30 June 2010				
Trade and other payables and accruals	220	–	–	–

The Group does not have any derivative financial instruments.

(iii) **MARKET RISK**

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. There is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(iv) **INTEREST RATE RISK**

The Group invests its surplus cash in a spread of fixed rate short term bank deposits to minimise risk and maximise flexibility. In doing so it limits its exposure to fluctuations in interest rates that are inherent in such a market. Overall risk is not regarded as significant and the effect of a one percentage point decrease in the average interest rate during the year would have resulted in a decrease in post-tax profit for the year of less than £1k (2010: £1k).

(v) **FOREIGN EXCHANGE RISK**

The Group operates internationally through its distributorship arrangements in Europe and the US and is exposed to foreign exchange risk arising from the Euro and the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Given the current scale of the Group's overseas operations, overall currency risk is considered to be low.

An increase of one percentage point in the average 2011 Euro and US dollar exchange rates would have decreased the Group's profit after tax by less than £1k (2010: £1k).

(vi) **PRICE RISK**

The Group does not hold external investments in equity securities and therefore is not exposed to price risk.

(vii) **CAPITAL RISK MANAGEMENT**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide future returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group seeks to maintain, at this stage of its development, sufficient funding drawn primarily from equity, to enable the Group to meet its working and strategic needs. The Group may issue new shares or realise value from its existing investments and other assets as may be deemed necessary.

The Group centrally manages borrowings, investment of surplus funds and financial risks. The objective of holding financial investments is to provide efficient cash and tax management and effective funding for the Group.

(viii) **FAIR VALUE ESTIMATION**

Holding trade receivables and payables at book value less impairment provision is deemed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated and company financial statements requires the Group and Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

In the process of applying the Group's and Company's accounting policies, management has made a number of judgements and estimations, of which the following are deemed to have the most significant effect on amounts recognised in the financial statements:

(i) REVENUE RECOGNITION

No significant criteria are required by the Group in regard to revenue recognition that are not covered by the accounting policy.

(ii) SHARE-BASED PAYMENTS

The calculation of the estimated fair value of share options and warrants granted can only reasonably be assessed once such options and warrants are exercised. To date, no options or warrants have been exercised and the Group is therefore reliant upon the calculations as explained in the accounting policy and note 23 to the accounts in arriving at an estimated fair value in line with the requirements of IFRS2.

(iii) GOING CONCERN

The directors have prepared projections of the Group's anticipated future results based on their best estimate of likely future developments within the business and have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. They have accordingly prepared these financial statements on the 'going concern' basis.

(iv) IMPAIRMENT OF ASSETS

In line with the going concern assumption, based on their best estimate of likely future developments within the business, the directors consider that an impairment provision against the carrying value of Investment in Subsidiaries is necessary in the Company's balance sheet as at the balance sheet date. However as a result of the increase in the underlying net assets of group companies, a release of £371k in the impairment provision has been made. In 2010 a provision for impairment was made of £254k (note 16)

(v) DEFERRED TAX ASSETS

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. In view of the Company's profitability in the year under review and having reviewed the strength of the sales pipeline, the directors believe that it is prudent to recognise a deferred tax asset in respect of tax losses that will be available for offset against future taxable income but have limited their estimate to the same level of profit as shown in the Consolidated Statement of Comprehensive Income in view of uncertainty as to when future profits will arise. Accordingly, a deferred tax asset of £40k is recognised in the results for the year under review.

(vi) INTELLECTUAL PROPERTY AND LONG TERM PROVISIONS

As a result of a review by the directors of the unit sales likely to arise over the next year, no change in the value of Intellectual Property has been deemed to be necessary and consequently no provision has been made for impairment. In 2010, a provision of £74k was made.

4. SEGMENTAL REPORTING

Based on risks and returns, the directors consider that the primary reporting business format is by business segment which is currently just the supply of energy efficiency products, as this forms the basis of internal reports that are regularly reviewed by the company's chief operating decision maker in order to allocate resources to the segment and assess its performance. Therefore the disclosures for the primary segment have already been given in these financial statements. The secondary reporting format is by geographical analysis by destination. Non-UK revenues amounted to 10% of the total and are analysed as follows:

Geographical information	Sales revenue £'000	% of total revenue
UK	1,875	90%
USA	176	8%
Other	36	2%
Total	2,087	

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

	Sales revenue £'000	% of total revenue
Customer 1	457	22%
Customer 2	264	13%
Customer 3	231	11%

5. PROFIT/(LOSS) BEFORE TAX

The profit/(loss) before tax is stated after charging/(crediting):

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Depreciation of owned tangible fixed assets	14	18
Amortisation of intangible assets	47	46
Operating lease rentals – land and buildings	24	18

6. INVESTMENT REVENUES

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Interest receivable	10	5

7. OTHER GAINS AND LOSSES

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Gain on settlement of convertible loan	–	159
Less cost of warrants (note 21)	–	(38)
Gain on reversal of loan note provision	–	126
Intellectual property impairment provision	–	(74)
Total net other gains	–	173

8. FINANCE COSTS

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Interest payable	–	13

9. AUDITORS' REMUNERATION

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	21	21
Fees payable for other non-audit services	7	2
	28	23

10. STAFF COSTS

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Wages and salaries	764	743
Social security costs	81	80
	845	823

The average monthly number of employees, including directors, during the year was as follows:

	Year ended 30 June 2011 Nos.	Year ended 30 June 2010 Nos.
Directors	5	4
Administration	10	10
	15	14

11. CORPORATION TAX

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Current tax	–	–
Deferred tax	40	–
Total tax recovery for the year	40	–

The tax charge for the year can be reconciled to the profit per the income statement as follows:

Profit/(loss) before tax	194	(344)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 20.75% (2010: 21%)	40	(72)
Expenses not deductible for tax purposes	1	2
Capital allowances in excess of depreciation	(3)	3
Other short term timing differences	24	57
Unrelieved tax losses	5	10
Tax losses utilised	(67)	–
Current Tax	–	–

DEFERRED TAX:

A deferred tax asset has been recognised in respect of £194k of available losses brought forward (2010: nil) as the Directors believe that the Group will continue to be profitable in the future but have limited their estimate to the same level of profit as shown in the Consolidated Statement of Comprehensive Income in view of uncertainty as to when future profits will arise. The aggregate amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the balance sheet is estimated at £1,704k (2010: £2,273k) which at the standard tax rate would equate to £354k (2010: £477k).

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year attributable to equity holders of £234k (2010: £344k loss) and a weighted average number of shares in issue during the period of 31,486,511 (2010: 29,847,844). At the year end, warrants for 1,518,356 shares and options over 2,045,670 shares were in issue. The warrants have been taken into account in calculating diluted earnings per share but the options are antidilutive and have therefore been excluded from the calculation.

13. PROFIT ATTRIBUTABLE TO THE MEMBERS OF THE PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the Parent Company is not presented as part of these financial statements. The profit dealt with in the accounts of the Parent Company is £256k (2010: £249k loss). There is no other comprehensive income in the Parent Company.

14. PROPERTY, PLANT AND EQUIPMENT

Group	2011 £'000	2010 £'000
Cost		
At 1 July	73	73
Additions	30	–
Disposals	(21)	–
At 30 June	82	73
Depreciation		
At 1 July	(57)	(39)
Charge for the year	(14)	(18)
Reversed on disposals	21	–
At 30 June	(50)	(57)
Net Book Value		
At 30 June 2011	32	16
At 30 June 2010	16	34

The Company held no property, plant and equipment at 30 June 2011 and 2010.

15. INTANGIBLE ASSETS

Group	2011 £'000	2010 £'000
Intellectual Property		
Cost		
At 1 July	943	1,017
Adjustment to carrying value	–	(74)
At 30 June	943	943
Amortisation		
At 1 July	(199)	(153)
Charge for the year	(47)	(46)
At 30 June	(246)	(199)
Net Book Value		
At 30 June 2011	697	744
At 30 June 2010	744	864

Intellectual Property represents the rights to the M2G product acquired from the inventors. As a result of a review by the directors of the unit sales likely to arise over the next year, no adjustment to the carrying value is proposed this year. In 2010, the carrying value of Intellectual Property was reduced by £74k.

The remaining amortisation period for Intellectual Property is 15 years.

The Company held no intangible assets at 30 June 2011 and 2010.

16. INVESTMENT IN SUBSIDIARIES

Company	2011 £'000	2010 £'000
Cost		
At 1 July	3,601	3,675
Adjustment to carrying value (note 15)	–	(74)
At 30 June	3,601	3,601
Impairment Provision		
At 1 July	(3,385)	(3,131)
Provision for impairment reversal/(charge)	371	(254)
At 30 June	(3,014)	(3,385)
Net Book Value		
At 30 June 2011	587	216
At 30 June 2010	216	544

Details of the subsidiary undertakings at the balance sheet date are as follows:

Name of company	Country of incorporation	Class of share	Nature of business	Proportion of voting rights
Sabien Technology Limited	England & Wales	Ordinary	Managing carbon through energy reduction	100%
Sabien Technology IP Limited	Northern Ireland	Ordinary	Ownership of Intellectual Property	100%

In accordance with IAS 36, 'Impairment of Assets', the directors have assessed the carrying value of the investment in subsidiaries at the balance sheet date and, having assessed the value in use of the subsidiaries, are of the opinion that this is in excess of their carrying value in the parent company balance sheet.

As a result of the increase in underlying net assets of group companies, a release of £371k in the impairment provision has been made in the year under review. In 2010, a downward adjustment was made to the carrying value of £74k and a further provision for impairment was made of £254k.

17. INVENTORIES

Group	2011 £'000	2010 £'000
Goods held for resale	147	128

The Company held no inventories at 30 June 2011 and 2010.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	231	235	–	–
Other receivables	200	60	18	9
Deferred taxation asset (note 11)	40	–	–	–
Amounts owed by Group undertakings	–	–	504	538
	471	295	522	547

Other receivables principally comprise advance payments to suppliers to secure components on long lead times.

The value of trade receivables quoted in the table above also represents the fair value of these items and are due within one year.

Trade receivables are considered impaired if they are not considered recoverable. As at 30 June 2011, trade receivables of £100k (2010: £53k) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2011 £'000	2010 £'000
Up to 3 months	131	182
3 to 6 months	100	46
More than 6 months	–	7
	231	235

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2011 £'000	2010 £'000
Pounds sterling	448	287
Euros	23	8
	471	295

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash and cash equivalents	1,033	965	786	903

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	50	19	2	1
Social security and other taxation	21	41	(7)	(8)
Deferred consideration	–	61	–	61
Accruals and deferred income	117	99	32	30
	188	220	27	84

The deferred consideration arose from the acquisition of Sabien Technology IP Limited (formerly Taran Systems Limited) in May 2006 and was payable dependent upon unit sales for a period of four years from the date of acquisition. In November 2010, the Company transferred £61k from the bank account held in the joint names of the Company and the vendor to the vendor solely in full and final settlement of all liabilities due as deferred consideration.

21. SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
31,486,511 Ordinary shares of 5p each (2010 – 31,486,511)	1,574	1,574

SHARE WARRANTS

On 7 August 2009, the company granted 2,952,279 warrants to TVI 2 Limited, exercisable at 6.6p each over a period of five years. Subsequent to the repayment of the loan to TVI 2 Limited in October 2009, the number of warrants granted was reduced to 1,518,356 and they are now exercisable at a price of 6.42p each. These warrants represent 4.6% of the enlarged share capital including Ordinary shares potentially to be issued under the Warrant instrument. The Group recognised an exceptional charge of £38k arising from these warrants in the statement of comprehensive income for the year ended 30 June 2010 and this was credited to the Shares to be Issued Reserve in the balance sheet (note 7).

SHARE OPTIONS (SEE NOTE 23)

At the balance sheet date, the following options had been granted:

Date of Grant	At 1 July 2010	Grants	At 30 June 2011	Exercise price	Exercisable from	Exercisable to
14 December 2006	1,134,612	–	1,134,612	52p	December 2010	December 2016
11 July 2007	99,010	–	99,010	50.5p	July 2011	July 2017
12 October 2007	100,000	–	100,000	50p	October 2011	October 2017
1 April 2011	620,305	–	620,305	54.5p	April 2013	April 2017
25 November 2011	–	91,743	91,743	54.5p	November 2013	November 2017
Total	1,953,927	91,743	2,045,670			

22. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following total commitments under non-cancellable operating leases:

Group	Land & buildings	
	2011 £'000	2010 £'000
Expiry date:		
Within one year	13	24
Between two and five years	–	13

23. SHARE-BASED PAYMENTS

The Company has issued share options under a share option scheme for directors and employees set up in November 2006 under which approved and unapproved share options were granted prior to the flotation of the Company in December 2006. The Company adopted the "Sabien Technology Group Share Option Plan" at the time of flotation and it is intended that options will only be granted under this scheme in future.

Under this scheme, directors and employees hold options to subscribe for 5p ordinary shares in Sabien Technology Group PLC at prices based on the mid-market price on the day preceding the relevant share option grant. See note 21 for details of options in issue at the balance sheet date. There are no performance conditions attached to these options.

The value of the options is measured using the QCA-IRS Option Valuer based on the Black Scholes model. The inputs into the Black Scholes model were as follows:

	2011	2010
Share price at date of grant	31p	54.5p
Exercise price at date of grant	54.5p	54.5p
Weighted average fair value	5p	5p
Volatility	30%	30%
Expected life	3 years	3 years
Risk free interest rate	6%	6%

Expected volatility was determined by reference to volatility used by other similar companies.

The expected life used in the model reflects the lack of performance conditions attached to the options granted.

The Group has recognised a charge of £30k arising from the share-based payments noted above in the income statement for the year ended 30 June 2011 and this has been credited to Other Reserves in the balance sheet.

The following reconciles the outstanding share options granted under the employee share option scheme at the beginning and end of the financial year:

	Number 2011	Weighted average exercise price 2011	Number 2010	Weighted average exercise price 2010
Balance at beginning of the financial year	1,953,927	52.62p	1,333,622	51.74p
Granted during the year	91,743	54.50p	620,305	54.50p
Cancelled during the year	–	–	–	–
Balance at end of the financial year	2,045,670	52.70p	1,953,927	52.62p
Weighted average remaining contractual life	6.3 years		7.6 years	

24. RELATED PARTY TRANSACTIONS

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the directors of Sabien Technology Group PLC. Information regarding their remuneration is given above in the Remuneration Report. The Company has entered into service agreements with Dr Clive Morton, Karl Monaghan and Dr Martin Blake with entities either controlled by them or in which they have an interest as shareholders. Fees are paid in accordance with those agreements.

During the year, the Group invoiced its US distributor, Greffen Systems, Inc., £176k for the supply of M2G units. Greffen is a subsidiary of SE Global S.A. which has a holding of 10.49% of Sabien's issued share capital and as such, under both IFRS and the AIM Rules, the sales are deemed to have been related party transactions. The sales to Greffen were ordinary course transactions of a revenue nature and were carried out on normal, arms-length, commercial terms.

During the year, Sabien Technology Limited was charged £70k (2010: £41k) by way of management charges and £20k (2010: £15k) by way of interest on the intercompany loans by Sabien Technology Group PLC, its parent company. Sabien Technology Limited repaid £34k during the year in respect of these working capital loans and at the year end the amount outstanding was £504k (2010: £538k).

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