



SABIEN TECHNOLOGY GROUP PLC

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2008



managing **carbon**
through energy **reduction**

COMPANY INFORMATION

DIRECTORS	DR CLIVE MORTON OBE (CHAIRMAN) ALAN O'BRIEN GUS ORCHARD KARL MONAGHAN (APPOINTED 1 SEPTEMBER 2007) JONATHAN HILL (RESIGNED 30 JULY 2007)
SECRETARY	GUS ORCHARD
COMPANY NUMBER	5568060
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	BARCLAYS BANK PLC 17 PLAINS ROAD MAPPERLEY NOTTINGHAM NG3 5LG
NOMINATED ADVISER AND BROKER	ARBUTHNOT SECURITIES LTD ARBUTHNOT HOUSE 20 ROPEMAKER STREET LONDON EC2Y 9AR
REGISTRARS	CAPITA REGISTRARS NORTHERN HOUSE WOODSOME PARK FENAY BRIDGE HUDDERSFIELD HD8 0LA
SOLICITORS	PINSENT MASONS CITY POINT 1 ROPEMAKER STREET LONDON EC2Y 9AH

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CHAIRMAN'S STATEMENT

I AM PLEASED TO REPORT ON THE RESULTS FOR SABIEN TECHNOLOGY GROUP PLC ("SABIEN", "THE COMPANY" OR "THE GROUP") FOR THE YEAR ENDED 30 JUNE 2008.

Market Development

Sabien was set up in 2004 to commercialise M2G, an energy saving technology which reduces gas consumption in commercial boilers. In September 2007, Sabien also launched M3G which reduces electricity consumption in commercial air-conditioning units.

The opportunities for Sabien are positive with increasing legislation, energy price increases and commitments to reduce carbon emissions, all driving interest and demand for our products, from public and private sector organisations.

Progress to Date

We have already established a strong list of blue-chip clients which include: Royal Bank of Scotland Group, Ford Motor Company, Bank of England, Institution of Mechanical Engineers, Institution of Civil Engineers, Investec Bank, an NHS Trust, O2, Deutsche Bank and DEFRA. Additionally, Virgin Media has recently placed an initial order for £89k with the Company.

During the year, the Company completed the pilot of its M2G product with 10 UK organisations with considerable property portfolios. The results of these pilots have been particularly pleasing with an order received from AVIVA since the year end for £188k and the creation of a strong sales pipeline that provides an exciting opportunity for the Company.

Importantly, the success of these pilots further validates the M2G and demonstrates to these blue-chip companies the potential of meeting the demands of increasing financial and legislative pressures that public and private sector organisations are facing, and as a result the reputation of the Company and its technology will grow.

Our M3G has performed well. With the cooling season over, organisations will now be reviewing the extent of their air conditioning costs and we fully expect to see increased interest in our M3G product.

Financial Results

Turnover in the year was £681k compared with £632k for the same period last year. The loss after taxation was £980k compared with £745k in the same period in 2007, reflecting the increase in investment in key personnel that we have made.

At 30 June 2008, cash and cash deposits amounted to £1.3m (2007: £2.1m). Strict cost controls have been introduced into the business and this will remain a top priority with the continued growth of the Company.

Outlook

Sabien's strategy is to become the supplier of choice for private and public sector organisations that are faced with delivering on their energy and carbon strategies. The Company is continuing with this objective of delivering its commercially viable energy-efficiency technology both in the UK and overseas to a wider base of blue-chip clients.

The Company has invested prudently in its brand and its reputation has grown significantly over the last 12 months providing a foundation for it to become recognised as a provider of leading energy-efficiency technology for multi-site organisations in both the public and private sectors.

Board, Management and People

As mentioned last year, Jonathan Hill stepped down from the Board in July 2007 and Karl Monaghan joined the Board in September 2007 as a non-executive. Following Karl's appointment, Sabien quickly benefited from his business experience and we look forward to his continued contribution.

To ensure the Company has the right team in place, experienced sales and operations personnel were recruited to ensure the on-going high levels of service we provide our customers. These positions are now fully integrated into the business and the Company has the right structure and vision to ensure continued growth.

The Board remains confident that Sabien will experience strong growth by meeting the demands that both public and private organisations are now facing to reduce carbon emissions.

DR CLIVE MORTON OBE

CHAIRMAN

30 SEPTEMBER 2008

CHIEF EXECUTIVE OFFICER'S REPORT

SABIEN TECHNOLOGY GROUP HIGHLIGHTS 2008

- ▣ Project 10 implemented.
- ▣ £395k revenue from Royal Bank of Scotland Group.
- ▣ M2G orders placed by: O2, Telford College, Workspace, Investec Bank, Ford Motor Company, Institution of Mechanical Engineers, Institution of Civil Engineers and Deutsche Bank.
- ▣ Appointment of distributor in the USA.

HIGHLIGHTS SINCE THE YEAR END

- ▣ £188k order for M2G units received from Aviva.
- ▣ Other M2G orders placed by University of Derby and Virgin Media.
- ▣ Appointed by Serco as the preferred partner for energy efficiency technology for boilers.
- ▣ The Company is currently undergoing the process of attaining Underwriters Laboratories ("UL") approval for its M2G product in the US. It is expected that this will be achieved within the current financial year.

INTRODUCTION

The year to 30 June 2008 was one of consolidation for the Group. Since flotation in December 2006 the implementation of our market strategy has needed to be tempered with that of the industry's progress towards energy efficiency. Over the last 18 months our clients and Project 10 participants have been focusing their attention on analysis, auditing and baselining their energy use to establish the areas in which to implement energy efficiency initiatives.

Many of our clients are seeing their energy contract costs increasing from between 60% to 120% at the point of renewal throughout 2008 and 2009. The 2009 - 2011 wholesale energy market forecasts price fluctuations of between £0.76 and £0.71 p/therm. There are no signs of energy prices reducing to pre 2007/2008 levels when the price was on average £0.41 p/therm.

Increasing legislation, significant energy price increases and commitments to reduce carbon emissions have created the need for organisations to implement robust energy reduction strategies which can be achieved by using the technologies that Sabien can provide.

OUR STRATEGY

Our strategy continues to focus on large multi-site organisations that manage their own energy spend. While we do not actively market our technology to smaller entities, we do evaluate each sales enquiry and provide an indication of the likely payback periods. This has recently been enhanced by the online calculator on our website (www.sabien-tech.co.uk) where prospects can enter their energy spend and get an indication of the likely reductions in CO₂ and energy consumption that can be achieved by installing M2G.

During the year, further revenues of £395k from Royal Bank of Scotland Group have been recognised as we continue the rollout of M2G across their estate. Despite this continuing success with Royal Bank of Scotland Group, which has placed orders to date worth £1.3m and our recent contract win with AVIVA and Virgin Media, other major prospects are still requiring validation of the M2G technology via a pilot as part of their capital investment process.

PROJECT 10

To help mitigate against delays in winning orders and to assist potential customers identify where they could make substantial energy savings with quick payback, we set in place our well publicised Project 10 initiative in which we agreed to install M2Gs at up to 3 sites in each of our 10 large prospective customers and to monitor the results obtained from the M2Gs over the heating season and for periods of up to 3 months. At the end of the pilot period, a report is produced for each customer in which they are presented with the results of the pilot and the likely levels of savings in energy and CO₂ emission savings that could be achieved if M2G was deployed over the clients' estate of buildings.

AVIVA was one of the companies that participated in Project 10 this last heating season and it's a strong endorsement for Sabien that the savings M2G delivered in terms of energy consumed, CO₂ emission reduction and financial payback of less than 2 years met with the client's investment criteria. Subsequently, it has placed an initial order with Sabien for M2G worth £188k. The other organisations that conducted pilots are a mixture of private and public sector names including universities, financial, telecoms and healthcare companies.

Virgin Media, another leading brand and the UK's leading entertainment and communications company, placed an initial order worth £89k to install M2G technology in a number of its offices in the UK. In 2007, Virgin Media began work with the Carbon Trust on their 'Cut the Carbon' programme to define the company's carbon

footprint accurately and to investigate ways to reduce it. On the back of this analysis, an initial order value has been placed with Sabien for its M2G technology with further orders expected over the current financial year.

Further results of this initiative are beginning to show and we are currently in advanced negotiations with other Project 10 participants and are confident of receiving further substantial orders for M2G over the coming financial year. The revenue from these orders will be recognised as and when installation takes place and is therefore likely to affect both this and next year's results.

We are repeating the Project 10 pilot exercise this coming winter heating season. We are already nearly fully subscribed with a number of well-known UK multi-site organisation participants. As a result of the excellent validation results from our previous Project 10 initiative, the next Project 10 pilot periods will run for one month. We hope to be able to announce orders resulting from these pilots by the beginning of our second half in January 2009.

OPERATIONAL PROGRESS

Since flotation, we have strengthened key functions within the Group's organisation particularly in the areas of key technical support, account management and marketing.

We have developed relationships with a number of leading UK facility management companies that are now specifying our technology as part of their carbon reduction strategy offering to their clients. I am pleased to announce that Serco has appointed Sabien as its preferred partner in the provision of energy efficiency technology for commercial boilers.

Serco is well placed as a leading provider of facilities management services to deliver energy efficiency reductions to its clients. It has developed and is delivering a comprehensive range of 'sustainable solutions' that can be tailored to clients' specific requirements. Key elements include operational consultancy, waste management, energy management (all aspects), management systems and legal compliance.

Additionally, we have signed a US distribution agreement with Greffen Systems, (www.greffensys.com) an Atlanta based company, distributing M2G and M3G throughout North America. A non-exclusive distribution agreement between Sabien Technology and Greffen Systems for the North American territory was signed in 2008.

Grefeen System's strategy is to partner with leading facilities service managers with large pre-existing client bases to expedite the roll out of Sabien Technology's product suite in North America. In addition, Greffen Systems is in discussions with the US Government with respect to opportunities with targeted public sector entities.

Grefeen Systems currently has 5 pilot installations running across 3 different regions in the USA, with facilities service managers, commercial real estate companies and regional school boards. To date these pilots have demonstrated savings in excess of 20% during the summer months outside of the heating season.

Sabien is currently undergoing the process of attaining Underwriters Laboratories ("UL") approval for its M2G product to enable distribution in the US. It is expected that UL approval will be achieved within this financial year.

TEAM DEVELOPMENT

I have been particularly delighted with the calibre of technical people we have been able to attract to help lead our Project 10 pilot validation programmes and furthering development of our technology product suite.

OUTLOOK

I am pleased with the progress the company has made over the past 12 months. A year ago I reported that "we had the right team in place and a solid financial structure"; today, I'm glad to say that both statements remain true.

This last year presented us with challenges not uncommon to other technology companies operating in our space, i.e. validation of savings and a proven reputation for delivering projects. These are the two deciding factors when clients are considering deployment of energy efficient technologies and I am confident that we achieved both.

This is evident from the orders placed by our biggest client, Royal Bank of Scotland Group, the recent contract wins with Aviva and Virgin and by our Project 10 pilot initiative which has demonstrated to clients the level of savings that can be achieved by deploying our technology. I am confident Project 10 will lead to significant orders over the course of the current financial year. Added to this the volatile price of gas and oil along with existing and incoming government environment legislation and I believe Sabien is now, more than ever, primed to become the supplier of choice for energy efficiency solutions.

Finally, over the last 12 months my team has done a fantastic job. I extend a big thank you for everyone's valuable contribution. Our work is strongly driven by total client management – our customers appreciate that and it attracts new ones. During the year, we implemented key step changes and large new initiatives that turned out very well. This last year has taught us what our customers value and what they expect from a partner that aspires to be world class. We are well positioned for 2009 and, thanks to our leading position, we stand on a solid base from which we can build a successful business and meet the growing demands from public and private organisations.

ALAN O'BRIEN
CHIEF EXECUTIVE OFFICER

30 SEPTEMBER 2008

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2008

The directors present their report and the consolidated financial statements for the year ended 30 June 2008. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the directors are required to:

- ☐ Select suitable accounting policies and then apply them consistently;
- ☐ Make judgements and estimates that are reasonable and prudent;
- ☐ State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ☐ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

In determining how amounts are presented within items in the income statement and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the directors is aware at the time the report is approved:

- ☐ There is no relevant audit information of which the Company's auditors are unaware, and
- ☐ The directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the design, manufacture and sale of M2G, an energy saving product 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 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 587 units (2007: 543 units) and the gross profit margin was 76% (2007: 77%).

Non-financial: The management is constantly aware of the need to recruit and retain key personnel. During the year, the Group recruited experienced technical staff who will enable it to achieve its aim as the supplier of choice for energy efficiency solutions.

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. As noted in the Chairman's Statement, Jonathan Hill resigned from the Board in July 2007 and Karl Monaghan joined the Board as a non-executive director in September 2007; the remainder of the Board has remained unchanged. 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 Clive Morton. The Board remains confident in the work of those committees and the overall system of governance.

RESULTS AND DIVIDENDS

The Group loss for the year, after taxation, amounted to £980k (2007: £745k 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. These include information systems, business continuity, financial control and health and safety. Each year, The Audit Committee receives a management letter from the Company's auditors.

The Group's principal financial instruments comprise cash and liquid resources, the main purpose of which is to fund the Group's activities. There are currently only a few transactions in foreign currency and these are not material in either volume or value. The Board of Directors is responsible for the risk management policies. The policies are implemented by the finance department which receives regular reports from within the Group to enable prompt identification of financial risks, thus enabling it to take appropriate action. The finance department has a policy and procedures manual that sets out specific guidelines for the management of foreign currency exchange risk, interest rate risk and credit risk. The Group does not hold any financial instruments that would be classified as held for trading under IAS39.

DIRECTORS

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

	Date of appointment	Date of resignation	Ordinary shares of 5p each			
			2008	%	2007	%
A. O'Brien	25 October 2005		11,700,000	44.0	11,700,000	44.0
G. Orchard	10 October 2006		nil	–	nil	–
J. Hill	20 December 2006	30 July 2007	–	–	3,250,000	12.2
C. Morton	20 December 2006		400,000	1.5	400,000	1.5
K. Monaghan	1 September 2007		nil	–	nil	–

J.Hill's shareholding is declared by virtue of his being a director of General Capital Venture Finance Limited which holds the above investment in the Company. General Capital notified the Company in July 2007 that it had sold 250,000 shares in breach of a lock-in agreement. Subsequently, General Capital purchased 250,000 shares in the market to restore its position to that prior to the breach.

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
General Capital Venture Finance Limited	3,500,000	13.17
SE Global SA	3,375,000	12.70

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 2008, creditors' days were 4 days.

AUDITORS

The auditors, Kingston Smith LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved and authorised for issue by the Board on 30 September 2008 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 four directors – two executive and two 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

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.

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 (from 1 September 2007) and prior to this date by Jonathan Hill, 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 Company 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's Statement and the Chief Executive Officer's Report of Operations which contain 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 7 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 ongoing 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 Annual General Meeting, are as follows:

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

DIRECTORS' REMUNERATION DURING THE PERIOD (AUDITED)

Executive directors	Salaries and fees £'000
A. O'Brien	136
G. Orchard	90
Non-Executive Directors	
C. Morton	29
K. Monaghan (from 1 September 2007)	21
J.Hill (to 30 July 2007)	2
Total	278

SABIEN TECHNOLOGY GROUP SHARE OPTION PLAN (AUDITED)

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

The following directors have been granted options to subscribe for the following ordinary shares:

	Date of award	Number of shares	Exercise price
A. O'Brien	14 December 2006	500,000	52p
G. Orchard	14 December 2006	346,152	52p
K. Monaghan	12 October 2007	100,000	50p

The mid-market price of the Company's shares at the end of the financial year was 9p.

DR CLIVE MORTON OBE
CHAIRMAN OF THE REMUNERATION COMMITTEE
30 SEPTEMBER 2008

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 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheet, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Committee Report that is described as being audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited are properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive Officer's Report that is cross-referred from the Review of Business section of the Directors' Report. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is inconsistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Report, the Corporate Governance Statement and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINION

In our opinion:

The Group financial statements give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs at 30 June 2008 and of the loss of the Group for the year then ended;

The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation;

The information given in the Directors' Report is consistent with the financial statements.

KINGSTON SMITH LLP
CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS
DEVONSHIRE HOUSE
60 GOSWELL ROAD
LONDON EC1M 7AD
DATE: 2 OCTOBER 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 £'000	2007 £'000
Revenue		681	632
Cost of sales		(164)	(147)
Gross profit		517	485
Other income	8	102	69
Distribution costs		(211)	(52)
Administrative expenses		(1233)	(1082)
Finance costs	9	(155)	(167)
Loss before tax	5	(980)	(747)
Corporation tax	10	–	2
Loss for the year attributable to equity holders of the parent company		(980)	(745)
Loss per share in pence – basic and diluted	11	(3.7)	(2.8)

The notes on pages 21 to 34 form part of these financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEET

AS AT 30 JUNE 2008

Notes	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	47	47	–
Other intangible assets	14	1,028	2,511	–
Investment in subsidiaries	15	–	–	1,024
Total non-current assets		1,075	2,588	1,024
Current assets				
Inventories	16	121	71	–
Trade receivables	17	151	28	–
Other current assets	17	58	121	256
Cash and cash equivalents	18	1,274	2,148	1,264
Total current assets		1,604	2,368	1,520
LIABILITIES				
Current liabilities				
Trade and other payables	19	24	45	–
Short term provisions	19	135	177	24
Total current liabilities		159	222	24
Non-current liabilities				
Long-term borrowings	20	451	422	451
Long-term provisions	20	748	2,002	748
Total non-current liabilities		1,199	2,424	1,199
Net assets		1,321	2,280	1,321
EQUITY				
Equity attributable to equity holders of the parent				
Share capital	21	1,329	1,329	1,329
Other reserves		1,622	1,601	2,392
Retained (losses)/earnings		(1,630)	(650)	(2,400)
Total equity		1,321	2,280	1,321

The financial statements were approved and authorised for issue by the Board on 30 September 2008 and were signed on its behalf by:

A O'BRIEN
CHIEF EXECUTIVE

GUS ORCHARD
FINANCE DIRECTOR

The notes on pages 21 to 34 form part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Cash flows from operating activities				
Loss before taxation	(980)	(747)	(980)	(1,420)
Adjustments for:				
Depreciation and amortisation	148	148	–	–
Impairment provision	1,350	–	2,261	1,228
Reduction in long term provisions	(1,350)	–	(1,350)	–
Finance income	(102)	(69)	(162)	(65)
Finance expense	155	167	155	150
Transfers to equity reserves	21	104	22	12
(Increase)/Decrease in trade and other receivables	(73)	(128)	(2)	20
(Increase)/Decrease in inventories	(50)	1	–	–
Increase/(Decrease) in trade and other payables	(63)	(166)	(23)	45
Cash generated from operations	(944)	(690)	(79)	(30)
Interest paid	–	–	–	–
Corporation taxes paid	13	–	–	–
Net cash outflow/inflow from operating activities	(931)	(690)	(79)	(30)
Cash flows from investing activities				
Investment in subsidiary company	–	–	(900)	(500)
Acquisition of intellectual property	–	–	–	–
Purchase of property, plant and equipment	(15)	(53)	–	–
Finance income	102	69	162	65
Net cash generated by/(used in) investing activities	87	16	(738)	(435)
Cash flows from financing activities				
Proceeds from issue of share capital	–	2,826	–	2,576
(Repayment of)/proceeds from long term borrowings	(30)	(80)	(30)	–
Net cash from financing activities	(30)	2,746	(30)	2,576
Net increase/(decrease) in cash and cash equivalents	(874)	2,072	(847)	2,111
Cash and cash equivalents at the beginning of the year	2,148	76	2,111	–
Cash and cash equivalents at the end of the year	1,274	2,148	1,264	2,111

The notes on pages 21 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Share capital	Share premium	Merger reserve	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2006	1,021	–	(1,021)	–	–	95	95
Changes in equity for year							
Loss for the year	–	–	–	–	–	(745)	(745)
Issue of share capital on merger	–	–	250	–	–	–	250
Issue of share capital on flotation	308	2,892	–	–	–	–	3,200
Share issue costs	–	(624)	–	–	–	–	(624)
Convertible loan – shares to be issued	–	–	–	92	–	–	92
Employee share option scheme – value of services provided	–	–	–	–	12	–	12
Balance at 30 June 2007 carried forward	1,329	2,268	(771)	92	12	(650)	2,280
Changes in equity for year							
Loss for the year	–	–	–	–	–	(980)	(980)
Employee share option scheme – value of services provided	–	–	–	–	21	–	21
Balance at 30 June 2008 carried forward	1,329	2,268	(771)	92	33	(1,630)	1,321

The notes on pages 21 to 34 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	Share capital	Share premium	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October 2006	–	–	–	–	–	–
Changes in equity for year						
Loss for the year	–	–	–	–	(1,420)	(1,420)
Issue of share capital on merger	1,021	–	–	–	–	1,021
Issue of share capital on flotation	308	2,892	–	–	–	3,200
Share issue costs	–	(624)	–	–	–	(624)
Convertible loan – shares to be issued	–	–	92	–	–	92
Employee share option scheme – value of services provided	–	–	–	12	–	12
Balance at 30 June 2007 carried forward	1,329	2,268	92	12	(1,420)	2,280
Changes in equity for year						
Loss for the year	–	–	–	–	(980)	(980)
Employee share option scheme – value of services provided	–	–	–	21	–	21
Balance at 30 June 2008 carried forward	1,329	2,268	92	33	(2,400)	1,321

The notes on pages 21 to 34 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

GENERAL INFORMATION

The Company is incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 3.

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.

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 balance sheet and income statement includes the financial statements of the Company and its subsidiaries at 30 June 2008. 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 benefits from its activities.

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

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

Accounting for the Company's acquisition of the controlling interest in Sabien Technology Limited:

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

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

In contrast to IFRS 3, FRS 6 sets out accounting guidance for transactions under common control 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 Sabien Technology Limited.

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

Similarly, the consolidated balance sheet and other financial information have been presented as though the assets and liabilities of the combining entities had been transferred at 1 October 2005. The Group has taken advantage of section 131 of the Companies Act 1985 and has debited the difference arising on the merger with Sabien Technology Limited to a merger reserve.

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

Office equipment, fixtures and fittings 4 years

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

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

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

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

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

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

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

- e) **Fixed asset investments:** Fixed asset investments are stated at cost less any provision for impairment in value.
- f) **Deferred consideration:** Deferred consideration is discounted from the anticipated settlement date at the Group's weighted average cost of capital.
- g) **Inventories:** Inventories are valued at the lower of average cost and net realisable value.
- h) **Financial instruments:**

Financial Assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's financial assets are disclosed in notes 17 and 18. Impairment testing of trade receivables is described in note 17.

Financial Liabilities

The Group has two categories of financial liabilities which are trade payables and other short term monetary liabilities and compound financial instruments (see note k below). 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.

- i) **Trade Receivables:** Trade receivables are recognised at fair value less provision for impairment. Trade receivables, with standard payment terms of between 30 to 45 days are recognised and carried at the lower of their original invoiced and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective guidance that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.
- j) **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.

k) **Compound financial instruments:** Compound financial instruments issued by the Group comprise convertible loan notes. The liability component of the instrument is initially recorded at the fair value of a similar instrument which does not have an equity component. The difference between the net proceeds and the fair value is recorded as the equity component and recognised directly in equity. Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method and the amortisation charge arising recorded in the income statement for the period.

l) **Trade payables:** Trade payables are recognised at fair value.

m) **Revenue recognition:** Revenue is recognised upon delivery of goods and services supplied by the Group. Delivery is deemed to have occurred upon delivery of goods either to a customer site or to a customer's incumbent facilities manager. 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.

n) **Share-based payments:** The Group has applied the requirements of IFRS2 Share-Based Payment. 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.

o) **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 income statement on the straight line basis over the lease term.

p) **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 income statement, 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.

q) **Standards, amendment and interpretations effective in 2008:** The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

IFRS 7, 'Financial Instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of Financial Statements – Capital Disclosures', requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements and have not had an impact on the classification and valuation of the Group or Company's financial instruments.

IFRIC 8, 'Scope of IFRS 2', requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appear to be less than fair value. As equity instruments have only been issued to employees in accordance with the employee share scheme, the interpretation has no impact on the financial position or performance of the Group.

IFRIC 10, 'Interim Financial Reporting and Impairment', prohibits the impairment losses recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost to be reversed at a subsequent balance sheet date. As the Group had no impairment losses previously recognised in an interim period, the interpretation had no impact on the financial position or performance of the Group or Company's financial statements.

IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions', provides guidance on whether share-based transactions involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group financial statements.

- r) **Standards, amendments and interpretations effective in 2008 but not relevant:** The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 July 2007 but they are not relevant to the Group or Company's operations:

- ☐ IFRS 4, Insurance contracts;
- ☐ IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies;
- ☐ IFRIC 9, Reassessment of embedded derivatives;
- ☐ IFRIC 12, Service Concession Arrangements;
- ☐ IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction.

- s) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and Company:** The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2008 or later periods, but the Group and Company have not adopted them early:

- ☐ IAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009);
- ☐ IFRS 8, 'Operating Segments' (effective from 1 January 2009).

The Directors anticipate that the adoption of these Standards in future periods will have no material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

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 at bank;
- ☐ 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 2008				
Trade and other payables	159	–	–	–
Convertible loan notes	–	500	–	–
At 30 June 2007				
Trade and other payables	222	–	–	–
Convertible loan notes	–	–	500	–

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 an increase in post-tax loss for the year of £17k (2007: £14k).

(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 2008 Euro and US dollar exchange rates would have increased the Group's loss after tax by less than £1k (2007: £Nil).

(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**

Revenue is recognised upon delivery of goods and services supplied by the Group. Delivery is deemed to have occurred upon delivery of goods either to a customer site or to a customer's incumbent facilities manager. 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.

(ii) **Share-Based Payments**

The Group and Company have applied the requirements of IFRS2 Share-based Payment. The Group and Company 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 and Company'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.

(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 therefore believe that the assumption that the Group is a going concern is valid. The financial information has therefore been prepared 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.

(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. No deferred tax asset was held at the balance sheet date (2007: £Nil) as it is not deemed probable that losses will be relieved in the short term.

(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 two years, the Provision for Deferred Consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see note 20).

4. SEGMENTAL REPORTING

Based on risks and returns, the directors consider that the primary reporting format is by business segment which is the supply of energy efficiency products. 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. However, no geographical segment represents more than 10% of revenue and is therefore not reportable.

5. LOSS BEFORE TAX

The loss before tax is stated after charging:

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Depreciation of owned tangible fixed assets	15	6
Amortisation of intangible assets	133	141
Operating lease rentals – land and buildings	28	20

6. AUDITORS' REMUNERATION

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	21	15
Fees payable for other non-audit services	2	4
	23	19

7. STAFF COSTS

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Wages and salaries	708	452
Social security costs	77	50
	785	502

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

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Directors	4	3
Administration	8	4
	12	7

8. FINANCE INCOME

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Interest receivable	102	69

9. FINANCE EXPENSE

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Interest payable	155	167

10. CORPORATION TAX

	Year ended 30 June 2008 £'000	Year ended 30 June 2007 £'000
Current tax	–	(2)
Deferred tax	–	–
Total tax recovery for the year	–	(2)
The tax recovery for the year can be reconciled to the loss per the income statement as follows:		
Loss before tax	(980)	(747)
Tax on loss on ordinary activities at standard UK corporation tax rate of 20% (2007: 19%)	(196)	(142)
Expenses not deductible for tax purposes	11	8
Capital allowances in excess of depreciation	–	(1)
Other short term timing differences	158	27
Unrelieved tax losses	27	110
Current tax recovery	–	(2)

No provision has been made to recognise a deferred tax asset as future profitability is uncertain.

11. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year attributable to equity holders of £980k (2007: £745k) and a weighted average number of shares in issue during the period of 26,570,511 (2007: 26,570,511). At the year end options over 1,660,544 shares were in issue. These options have not been taken into account in calculating loss per share as they are anti-dilutive.

12. LOSS ATTRIBUTABLE TO THE MEMBERS OF THE PARENT COMPANY

As permitted by section 230 of the Companies act 1985, the Income Statement of the parent company is not presented as part of these financial statements. The loss dealt with in the accounts of the Parent Company is £980k (2007: £1,420k)

13. PROPERTY, PLANT AND EQUIPMENT

Group	2008 £'000	2007 £'000
Cost		
At 1 July	54	2
Additions	15	52
At 30 June	69	54
Depreciation		
At 1 July	7	1
Charge for the year	15	6
At 30 June	22	7
Net Book value		
At 30 June 2008	47	47
At 30 June 2007	47	1

The Company held no property, plant and equipment at 30 June 2008 and 2007.

14. INTANGIBLE ASSETS

Group	2008 £'000	2007 £'000
Intellectual property		
Cost		
At 1 July	2,655	2,655
Adjusting to carrying value (note 20)	(1,350)	–
Additions	–	–
At 30 June	1,350	2,655
Amortisation		
At 1 July	(144)	(3)
Charge for the year	(133)	(141)
At 30 June	(277)	(144)
Net Book Value		
At 30 June 2008	1,028	2,511
At 30 June 2007	2,511	2,652

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 two years, the Provision for Deferred Consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see notes 15 and 20).

The remaining amortisation period for Intellectual Property is 18 years.

15. INVESTMENT IN SUBSIDIARIES

Company	2008 £'000	2007 £'000
Cost		
At 1 July	3,613	–
Additions	900	3,613
Adjustments to carrying value (note 20)	(1,350)	–
At 30 June	3,163	3,613
Impairment Provision		
At 1 July	(1,228)	–
Provision for impairment	(911)	(1,228)
At 30 June	(2,139)	(1,228)
Net Book Value		
At 30 June 2008	1,024	2,385
At 30 June 2007	2,385	–

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

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

During the year, the Company converted £900k of debt owed by its subsidiary, Sabien Technology Limited, to equity. As a result of a review by the directors of the unit sales likely to arise over the next two years, the Provision for Deferred Consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see notes 14 and 20).

16. INVENTORIES

	2008 £'000	2007 £'000
Goods held for resale	121	71

17. TRADE AND OTHER RECEIVABLES

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Trade receivables	151	28	–	–
Other receivables	8	22	–	–
Prepayments accrued and income	50	99	4	–
Amounts owed by Group undertakings	–	–	252	254
	209	149	256	254

Other receivables comprise deposits.

The value of trade receivables quoted in the table above also represent 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 2008, trade receivables of £15k (2007: nil) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2008 £'000	2007 £'000
Up to 3 months	136	28
3 to 6 months	15	–
More than 6 months	–	–
	151	28

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

	2008 £'000	2007 £'000
Pounds sterling	192	149
Euros	17	–
	209	149

18. CASH AND CASH EQUIVALENTS

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Cash and cash equivalents	1,274	2,148	1,264	2,111

19. TRADE AND OTHER PAYABLES

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Trade payables	8	39	4	5
Social security and other taxation	16	6	(4)	–
Accruals and deferred income	135	177	24	41
	159	222	24	46

20. LONG TERM LIABILITIES

	2008 Group £'000	2007 Group £'000	2008 Company £'000	2007 Company £'000
Convertible loan notes	451	422	451	422
Deferred consideration	748	2,002	748	2,002
	1,199	2,424	1,199	2,424

The Deferred consideration arises from the acquisition of Sabien Technology IP Limited (formerly Taran Systems Limited) in May 2006. The consideration is payable dependent upon unit sales for a period of four years from the date of acquisition and the amount recognised is based on the Directors' assessment of unit sales likely in the four years following acquisition. The initial estimates of the Deferred consideration liability will be revised as additional information becomes available with a corresponding adjustment being made to Intellectual Property.

As a result of a review by the directors of the unit sales likely to arise over the next two years, the Provision for Deferred Consideration has been reduced by £1,350k and a similar adjustment has been made to the value of Intellectual Property and Investment in Subsidiaries (see notes 14 and 15).

Deferred consideration has been discounted from the anticipated settlement date at the weighted average cost of capital prevailing at the acquisition date of 9.56%. The interest charged against income in the year amounted to £126k.

In November 2007, the Company transferred £30,633 from the bank account held in the joint names of the Company and the vendor to the vendor solely.

At 30 June 2008, the Company had made a payment of £33,263 into a bank account held in the joint names of the Company and the vendor of Sabien Technology IP Limited in respect of the liability arising from sales in the second year. This amount is shown under Cash and Cash Equivalents in the balance sheet.

Convertible loan notes represent the discounted amount payable to General Capital Venture Finance ("GCVF") Limited in respect of notes bearing a zero coupon. The draw-down on the facility at the balance sheet date was £500,000. GCVF has the right at any time or times prior to the third anniversary of Admission (the "Repayment Date") to call for the conversion of the amount outstanding under the facility into Ordinary shares at the placing price (52p). The facility is not repayable in advance by the Company without the consent of GCVF. If the facility has not been converted into Ordinary Shares by the Repayment Date, the facility is repayable on demand. By a guarantee dated 14 December 2006, Sabien agreed to guarantee to GCVF the Company's liability under the Facility Agreement. The Sabien guarantee falls within the security granted by Sabien to GCVF under an existing guarantee and debenture which gave a fixed and floating charge debenture over all of the Company's assets in favour of GCVF as security for the facility. Convertible loan notes have been discounted from the anticipated settlement date at the rate of 7%; the balance of £92k is reflected in equity as Shares to be issued. The interest charged against income in the year amounted to £29k.

21. SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
50,000,000 Ordinary shares of 5p each (2008 and 2007)	2,500	2,500
Allotted, called up and fully paid		
26,570,511 Ordinary shares of 5p each (2008 and 2007)	1,329	1,329

Share options (see note 23)

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

14 December 2006	1,461,534	52p	December 2009	December 2016
11 July 2007	99,010	50.5p	July 2010	July 2017
12 October 2007	100,000	50p	October 2010	October 2017
Total	1,660,544			

22. OPERATING LEASE COMMITMENTS

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

Group	Land & buildings 2008 £'000	Land & buildings 2007 £'000
Expiry date:		
Within one year	7	6
Between two and five years	85	122

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:

	2008	2007
Share price at date of grant	50-50.5p	52p
Exercise price at date of grant	50-50.5p	52p
Weighted average fair value	5p	4p
Volatility	30%	20%
Expected life	3 years	2-3 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 £21k arising from the share based payments noted above in the income statement for the year ended 30 June 2008 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 2008	Weight average exercise price 2008	Number 2007	Weight average exercise price 2007
Balance at the beginning of the financial year	1,461,534	52.00p	–	–
Granted during the year	199,010	50.25p	1,461,534	52.00p
Balance at end of the financial year	1,660,544	51.79p	1,461,534	52.00p
Weighted average remaining contractual life	8.6 years		9.5 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 Jonathan Hill 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 Company made working capital loans to its subsidiaries of £899k and converted £900k of these and existing loans to equity. At the year end, the amount outstanding was £252k.