



# SABIEN TECHNOLOGY GROUP PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010





## 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	5568060
REGISTERED OFFICE	34 CLARENDON ROAD WATFORD HERTS WD17 1JJ
WEBSITE	<a href="http://WWW.SABIEN-TECH.CO.UK">WWW.SABIEN-TECH.CO.UK</a>
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	ALTUM CAPITAL LIMITED 6TH FLOOR, BELVEDERE BOOTH STREET MANCHESTER M2 4AW
BROKER	ALTUM 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 2010.

## SABIEN TECHNOLOGY GROUP HIGHLIGHTS 2010

- ▣ Sales for the year up 44% to £973k from £675k
- ▣ Loss after tax before exceptional items down 37% to £517k from £825k
- ▣ Raised £400k bridging loan to repay General Capital's convertible loan of £483k
- ▣ Successful placement of shares raising £1.475m and repayment of bridging loan
- ▣ Sales from indirect partners increased by 34% to £154k from £115k representing 16% of total sales revenue
- ▣ Appointment in May 2010 of Altium as NOMAD and Broker

## HIGHLIGHTS SINCE THE YEAR END

- ▣ Sales orders received since 1 July 2010 total £813k representing 84% of the whole of the previous year's sales revenue
- ▣ This year's Project 10 is fully subscribed with large multi-site blue chip organisations
- ▣ Growing sales pipeline currently standing at c£3.5m which includes over 100 blue chip private and public sector multi-site organisations
- ▣ Appointment of Dr Martin Blake to the Board

## INTRODUCTION

For the period under review and subsequent to it, Sabien has continued to make steady 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, an energy saving 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 CRC Energy Efficiency Scheme (previously known as the Carbon Reduction Commitment) is now up and running and the Group is well placed to take advantage of the increasing interest in energy efficiency. The CRC Energy Efficiency Scheme came into force in April 2010 and was initially conceived as a mandatory cap and trade scheme requiring companies to purchase allowances from the government for their CO<sup>2</sup> emissions. All companies with half-hourly meters (HHMs) whose electricity consumption during 2008 exceeded 6,000 MWh (a cost of around £500,000) have to participate.

The scheme had intended to recycle the revenue raised from the sale of allowances to those organisations participating in the scheme. The level of recycled payments would be determined by the organisation's performance in an energy efficiency league table, with the best performers receiving all the money they spent on allowances plus a bonus and the worst performers receiving only some of the money back. However, in the recent Comprehensive Spending Review, the government has now effectively turned the sale of allowances into a carbon tax, forcing all participants to purchase carbon allowances based on how much energy they use. We believe that this will have significant benefits for Sabien as organisations try to reduce their energy usage.

## FINANCIAL RESULTS

Turnover in the year was £973k compared with £675k for the same period last year. The loss after taxation was £517k (before exceptional gains) compared with £825k in the same period in 2009. After exceptional gains, the loss after tax was reduced to £344k. The exceptional gains arose from the early settlement of the loan to General Capital Venture Finance and a reduction in the provision for loan notes payable.

In August 2009, the Company successfully refinanced its short term debt to General Capital Venture Finance Ltd with a two year term loan from funds advised by Thames Valley Capital Ltd (TVC). As part of this transaction, the Company granted warrants to TVC at a 20% premium to the share price at that time amounting to 10% of the enlarged share capital of the Company. This is explained in greater detail in the Notes to the Financial Statements.

Additionally in October 2009, in order to strengthen the balance sheet and provide additional working capital, the Group carried out a placing of shares which raised £1.475 million (gross). £400,000 of this placing was used to repay TVC's loan and this in turn reduced the number of warrants granted by almost 50% as well as leaving the Group with significant cash balances in hand.

At 30 June 2010, cash and cash deposits amounted to £965k (2009: £525k).

## FINANCIAL REPORTING REVIEW PANEL

The Financial Reporting Review Panel (FRRP) carries out a number of reviews of the audited accounts of companies each year. As part of this role, the FRRP undertook a review of the Group's report and accounts for the year ended 30 June 2009 and identified a presentation error in the cash flow statement that related to the reclassification of convertible loan notes. In correcting this error, there is no effect on the opening and closing cash position, comprehensive income or balance sheet as previously reported as the error was one of presentation only.

This error has been corrected in the presentation of the 2009 comparative numbers in the cash flow statement in the current financial statements. The principal corrections relate to the presentation of cash generated from operations and cash flows from financing activities. As a consequence of these corrections, cash outflow from operating activities originally reported as £257k was understated by £483k and should therefore have been reported as £740k and net cash outflow from financing activities originally reported as £514k was overstated by £483k and should therefore have been reported as £31k in the 2009 accounts.

The Panel has indicated in an announcement made today that it welcomes the corrective action taken by the directors and regards its enquiries into the company's accounts for the year under review as fully concluded.

## OVERVIEW

Results for the year were satisfactory although, frustratingly, delays by customers in placing orders meant that the Group did not achieve its target sales for the year to 30 June 2010. Since that date, the Group has seen a high level of contract wins totalling £813k. The phasing of contracts over financial period ends is an ever present issue as the Group develops critical mass but this does not distract from the fundamental momentum which we believe that M2G has in the current market.

The coalition government has ambitions to be the 'greenest government' ever and has a target of reducing energy consumption by 10% across central government properties which was actioned within weeks of the new government coming into power.

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.

Reducing energy costs and 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, around 40% 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 CO<sub>2</sub> 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.

We continue to see increasing interest from facilities management, energy/carbon consultancies and utility companies for Sabien's M2G product as these companies seek ways to reduce their clients' energy consumption and carbon emissions.

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 a steadily increasing order book. 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.

## PROJECT 10

We have continued to run our Project 10 (P10) paid pilot scheme and are fully subscribed for the current heating season with many well-known blue-chip private and large public UK multi-site organisations. Clients include major food retailers, retail banks, leisure groups, hospital operators and local councils.

This is now the 3rd year that we have run the P10 scheme whereby we agree to install M2Gs at up to 3 sites in each of 10 large prospective customers and to monitor the results obtained from the M2Gs 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 CO<sup>2</sup> emission were M2G to be deployed over the customer's estate.

Most of the larger orders received since our listing in December 2006 were the result of Project 10 pilots. We continue to engage with previous participants with the view to obtaining orders in the current financial year. Reducing gas consumption and CO<sup>2</sup> remains a high priority for these organisations and we will update the market on future M2G orders accordingly.

## 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. We have been commended by all our clients on our project planning, installation quality and for delivering their M2G rollout within budget. During the period we appointed a further installation partner, SEC Contracting, a division of Scottish & Southern Electric Energy Group.

We are continuing to develop our indirect partner channels and are beginning to see results from them. In the past year, indirect partnership agreements have been signed with Serco, British Gas, Balfour Beatty and Jones Lang LaSalle along with a number of smaller facilities management companies and energy consultancies. These alliances generated 16% of total revenue in the last financial year and we would expect this number to rise this year and in future years.

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. Over the past year, the company has figured on the pages of the Daily Telegraph, Financial Times, The Mail on Sunday, Investors Chronicle and Shares Magazine and continues to feature in all the key industry trade titles.

We are looking at increasing our presence in the US market where we believe there is potential and we will be looking to appoint further distributors as and when suitable companies become identified. This will be done in a careful and cost effective manner but could open a very large market for our M2G product.

## STRATEGY AND NEW PRODUCTS

Sabien's strategy 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. 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.

We are in the early stages of looking at modifying our M2G product to address other energy efficiency challenges facing our clients. We do not believe at this stage that there will be any significant costs involved in bringing a new application to the testing and piloting stages as we will be leveraging our existing Intellectual Property in the M2G.

We have also begun the process of looking at other green technologies from overseas markets that we can sell into our existing customer base to complement our current product offerings.

## BOARD, MANAGEMENT AND PEOPLE

We would like to thank 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

The Group has made a good start to the new financial year and since 1 July 2010 has received purchase orders totalling £813k, representing the equivalent of 84% of last year's turnover, all of which will be recognised as revenue in the current financial year.

The size of the business pipeline at c.£3.5m is at a record level. We have a high quality blue-chip private and large public customer base. 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 confident about the future.

**DR CLIVE MORTON OBE**

CHAIRMAN

28 OCTOBER 2010

**ALAN O'BRIEN**

CHIEF EXECUTIVE OFFICER

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 30 JUNE 2010

The directors present their report and the consolidated financial statements for the year ended 30 June 2010. 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 adequate 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 which 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.

In determining how amounts are presented within items in the statement of comprehensive income 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 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 539 units (2009: 407 units) and the gross profit margin was 84% (2009: 85%). Margins in the future are expected to fall to around 75% as business expands and indirect sales increase.

**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. The composition of the Board has remained unchanged in the year. 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 loss for the year, after taxation, amounted to £344k (2009: £825k 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 RISK** – 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			
		2010	%	2009	%
A. O'Brien	25 October 2005	11,700,000	37.2	11,700,000	44.0
G. Orchard	10 October 2006	100,000	0.3	100,000	0.4
C. Morton	20 December 2006	500,000	1.6	500,000	1.9
K. Monaghan	1 September 2007	1,258,850	4.0	1,258,850	4.7

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	3,908,333	12.41
TVI 2 Limited	2,950,000	9.37
Brewin Dolphin Limited	1,807,098	5.74
Invesco Limited	1,650,000	5.24
Noble AIM VCT plc	1,587,000	5.04

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 2010, creditors' days were 17 days (2009: 21 days).

## AUDITORS

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 28 October 2010 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 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 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](http://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 of Operations 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 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	Taxable benefits £'000	2010 Total	2009 Total
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
<b>Total</b>	<b>281</b>	<b>4</b>	<b>285</b>	<b>285</b>

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 2009	Granted	30 June 2010	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
<b>Total</b>		<b>946,152</b>	<b>195,417</b>	<b>1,141,569</b>			

The mid-market price of the Company's shares at the end of the financial year was 43.5p.

### DR CLIVE MORTON OBE

CHAIRMAN OF THE REMUNERATION COMMITTEE

28 OCTOBER 2010

# 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 2010 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 8, 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 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.

## 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 2010 and of the group's loss 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 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 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 2010

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

		2010	2009
	Notes	£'000	£'000
Revenue		973	675
Cost of sales		(160)	(102)
<b>Gross profit</b>		<b>813</b>	<b>573</b>
Administrative expenses		(1,322)	(1,379)
<b>Operating Loss</b>		<b>(509)</b>	<b>(806)</b>
Investment revenues	6	5	26
Other gains and losses	7	173	-
Finance costs	8	(13)	(45)
<b>Loss before tax</b>	5, 10	<b>(344)</b>	<b>(825)</b>
Tax	11	-	-
<b>Loss for the year attributable to equity holders of the parent company</b>		<b>(344)</b>	<b>(825)</b>
<b>Other comprehensive income</b>			
Transfer from Shares to be issued		(18)	-
Transfer to Retained earnings		18	-
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>(344)</b>	<b>(825)</b>
Loss per share in pence – basic and diluted	12	(1.2)	(3.1)

The notes on pages 22 to 35 form part of these financial statements.

# CONSOLIDATED AND COMPANY BALANCE SHEET

AS AT 30 JUNE 2010

	Notes	Group		Company	
		2010 £'000	2009 £'000 as restated	2010 £'000	2009 £'000 as restated
<b>Non-current assets</b>					
Property, plant and equipment	14	16	34	-	-
Intangible assets	15	744	864	-	-
Investment in subsidiaries	16	-	-	216	544
<b>Total non-current assets</b>		<b>760</b>	<b>898</b>	<b>216</b>	<b>544</b>
<b>Current assets</b>					
Inventories	17	128	137	-	-
Trade and other receivables	18	295	162	547	133
Cash and cash equivalents	19	965	525	903	510
<b>Total current assets</b>		<b>1,388</b>	<b>824</b>	<b>1,450</b>	<b>643</b>
<b>Total assets</b>		<b>2,148</b>	<b>1,722</b>	<b>1,666</b>	<b>1,187</b>
<b>Current liabilities</b>					
Trade and other payables	20	220	609	84	515
<b>Total current liabilities</b>		<b>220</b>	<b>609</b>	<b>84</b>	<b>515</b>
<b>Non-current liabilities</b>					
Long-term provisions	21	-	222	-	222
<b>Total non-current liabilities</b>		<b>-</b>	<b>222</b>	<b>-</b>	<b>222</b>
<b>Total liabilities</b>		<b>220</b>	<b>831</b>	<b>84</b>	<b>737</b>
<b>Net assets</b>		<b>1,928</b>	<b>891</b>	<b>1,582</b>	<b>450</b>
<b>Equity</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital	22	1,574	1,329	1,574	1,329
Other reserves		2,767	1,649	3,538	2,420
Retained (losses)/earnings		(2,413)	(2,087)	(3,530)	(3,299)
<b>Total equity</b>		<b>1,928</b>	<b>891</b>	<b>1,582</b>	<b>450</b>

The financial statements were approved and authorised for issue by the Board on 28 October 2010 and were signed on its behalf by:

**ALAN O'BRIEN**  
CHIEF EXECUTIVE OFFICER

**GUS ORCHARD**  
FINANCE DIRECTOR

The notes on pages 22 to 35 form part of these financial statements.

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	Group		Company	
	2010 £'000	2009 as restated £'000	2010 £'000	2009 as restated £'000
<b>Cash flows from operating activities</b>				
Loss before taxation	(344)	(825)	(249)	(1,120)
Adjustments for:				
Depreciation and amortisation	64	40	-	-
Exceptional gains	(247)	-	(247)	-
Impairment provision	74	288	328	1,280
Reduction in long term provisions	-	(287)	-	(287)
Finance income	(5)	(26)	(20)	(57)
Finance expense	13	45	15	45
Transfers (from)/to equity reserves	18	27	18	28
Decrease/(Increase) in trade and other receivables	(133)	47	(414)	123
Decrease/(Increase) in inventories	9	(16)	-	-
Increase/(Decrease) in trade and other payables (as previously reported)	33	450	(9)	491
Prior year adjustment (note 23)	-	(483)	-	(483)
Increase/(Decrease) in trade and other payables (as restated)	33	(33)	(9)	8
<b>Cash generated from operations (as previously reported)</b>	<b>(518)</b>	<b>(257)</b>	<b>(580)</b>	<b>503</b>
Prior year adjustment (note 23)	-	(483)	-	(483)
<b>Cash generated from operations (as restated)</b>	<b>(518)</b>	<b>(740)</b>	<b>(580)</b>	<b>20</b>
Corporation taxes recovered/(paid)	-	-	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(518)</b>	<b>(740)</b>	<b>(580)</b>	<b>20</b>
<b>Cash flows from investing activities</b>				
Investment in subsidiary company	-	-	-	(800)
Purchase of property, plant and equipment	-	(4)	-	-
Finance income	5	26	20	57
<b>Net cash generated by/(used in) investing activities</b>	<b>5</b>	<b>22</b>	<b>20</b>	<b>(743)</b>
<b>Cash flows from financing activities</b>				
Proceeds from share placement	1,399	-	1,399	-
(Repayment of)/proceeds from long term borrowings (as previously reported)	(440)	(514)	(440)	(514)
Prior year adjustment (note 23)	-	483	-	483
(Repayment of)/proceeds from long term borrowings (as restated)	(440)	(31)	(440)	(31)
Finance expense	(5)	-	(6)	-
<b>Net cash from financing activities (as previously reported)</b>	<b>953</b>	<b>(514)</b>	<b>953</b>	<b>(514)</b>
Prior year adjustment (note 23)	-	483	-	483
<b>Net cash from financing activities</b>	<b>953</b>	<b>(31)</b>	<b>953</b>	<b>(31)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>440</b>	<b>(749)</b>	<b>393</b>	<b>(754)</b>
Cash and cash equivalents at the beginning of the year	525	1,274	510	1,264
Cash and cash equivalents at the end of the year	965	525	903	510

The notes on pages 22 to 35 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	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 2008	1,329	2,268	(771)	92	33	(1,262)	1,689
<b>Changes in equity for year</b>							
Loss for the year	-	-	-	-	-	(825)	(825)
Employee share option scheme – value of services provided	-	-	-	-	27	-	27
Balance at 30 June 2009	1,329	2,268	(771)	92	60	(2,087)	891
<b>Changes in equity for year</b>							
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 carried forward	1,574	3,422	(771)	38	78	(2,413)	1,928

The notes on pages 22 to 35 form part of these financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	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 July 2008	1,329	2,268	92	33	(2,179)	1,542
<b>Changes in equity for year</b>						
Loss for the year	-	-	-	-	(1,120)	(1,120)
Employee share option scheme – value of services provided	-	-	-	28	-	28
Balance at 30 June 2009	1,329	2,268	92	60	(3,299)	450
<b>Changes in equity for year</b>						
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	-	-	-	18	-	18
Balance at 30 June 2010 carried forward	1,574	3,422	38	78	(3,530)	1,582

The notes on pages 22 to 35 form part of these financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## GENERAL INFORMATION

The Company is incorporated in the United Kingdom under the Companies Act 2006. 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 periods.

During the year, the Company raised £1.475m (£1.4m net) via a placing to the market. The directors therefore 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 balance sheet and statement of comprehensive income includes the financial statements of the Company and its subsidiaries at 30 June 2010. 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 SABIEEN 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.



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) **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) **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.

(k) **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.

(l) **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.

(m) **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.

(n) **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.

(o) **STANDARDS, AMENDMENT AND INTERPRETATIONS EFFECTIVE IN 2010**

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year:

IFRS 8, 'Operating Segments' (effective from 1 January 2009)

IAS 24 (Revised), 'Related Party Disclosures'

(p) **STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE IN 2010 BUT NOT RELEVANT**

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 July 2009 but they are not relevant to the Company's operations:

- ▢ IAS 23 (Amendment), 'Borrowing Costs' (effective from 1 January 2009)
- ▢ IFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009)
- ▢ IFRIC 18, 'Transfer of assets to customers'
- ▢ IAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009)

(q) **STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN ADOPTED EARLY BY THE COMPANY**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2010 or later periods, but the Company has not adopted them early:

- ▢ IFRS 9, 'Financial Instruments' (effective 1 January 2013)
- ▢ IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 July 2010)

The directors anticipate that the adoption of these standards in future periods will have no material impact on the financial statements of the company.

## 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 2010				
Trade and other payables and accruals	220	–	–	–
Convertible loan notes	–	–	–	–
At 30 June 2009				
Trade and other payables and accruals	126	–	–	–
Convertible loan notes	483	–	–	–

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 less than £1k (2009: £8k).

### (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 2010 Euro and US dollar exchange rates would have increased the Group's loss after tax by less than £1k (2009: £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 25 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 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 (2009: £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 year, the value of Intellectual Property has been deemed to have been impaired and a provision of £74k has been made (see note 15). The Provision for Deferred Consideration has been reduced by £125k and the liability is now reflected as a short term liability. In 2009, a reduction was made in the Provision for Deferred Consideration for £288k and a similar adjustment was 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/(crediting):

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Depreciation of owned tangible fixed assets	18	17
Amortisation of intangible assets	46	23
Operating lease rentals, land and buildings	18	31

## 6. INVESTMENT REVENUES

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Interest receivable	5	26

## 7. OTHER GAINS AND LOSSES

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Gain on settlement of convertible loan	159	-
Less cost of warrants (note 22)	(38)	-
Gain on reversal of loan note provision	126	-
Intellectual property impairment provision	(74)	-
<b>Total net other gains</b>	<b>173</b>	<b>-</b>

## 8. FINANCE COSTS

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Interest receivable	5	45

## 9. AUDITORS' REMUNERATION

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Fees payable to the Group's auditor for the audit of the Group's annual accounts	21	20
Fees payable for other non-audit services	2	4
	<b>23</b>	<b>24</b>

## 10. STAFF COSTS

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Wages and salaries	743	765
Social security costs	80	86
	<b>823</b>	<b>851</b>

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

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Directors	4	4
Administration	10	9
	<b>14</b>	<b>13</b>

## 11. CORPORATION TAX

	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Current tax	-	-
Deferred tax	-	-
Total tax recovery for the year	-	-
The tax recovery for the year can be reconciled to the loss per the income statement as follows:		
Loss before tax	(344)	(825)
Tax on loss on ordinary activities at standard UK corporation tax rate of 21% (2009: 21%)	(72)	(173)
Expenses not deductible for tax purposes	2	3
Capital allowances in excess of depreciation	3	1
Other short term timing differences	57	152
Unrelieved tax losses	10	17
Current tax recovery	-	-

No provision has been made to recognise a deferred tax asset as future profitability is uncertain. 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 £2,273k (2009: £1,942k) which at the standard tax rate would equate to £477k (2009: £408k).

## 12. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year attributable to equity holders of £344k (2009: £825k) and a weighted average number of shares in issue during the period of 29,847,844 (2009: 26,570,511). At the year end, warrants for 1,518,336 shares and options over 1,953,527 shares were in issue. These warrants and options have not been taken into account in calculating loss per share as they are anti-dilutive.

## 13. LOSS 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 loss dealt with in the accounts of the Parent Company is £249k (2009: £1,120k).

## 14. PROPERTY, PLANT AND EQUIPMENT

Group	2010 £'000	2009 £'000
<b>Cost</b>		
At 1 July	73	69
Additions	-	4
At 30 June	73	73
<b>Depreciation</b>		
At 1 July	(39)	(22)
Charge for the year	(18)	(17)
At 30 June	(57)	(39)
<b>Net Book Value</b>		
At 30 June 2010	16	34
At 30 June 2009	34	47

The Company held no property, plant and equipment at 30 June 2010 and 2009.

## 15. INTANGIBLE ASSETS

Group	2010 £'000	2009 £'000
<b>Intellectual Property Cost</b>		
At 1 July	1,017	1,305
Adjustment to carrying value (note 20)	(74)	(288)
At 30 June	943	1,017
<b>Amortisation</b>		
At 1 July	(153)	(130)
Charge for the year	(46)	(23)
At 30 June	(199)	(153)
<b>Net Book Value</b>		
At 30 June 2010	744	864
At 30 June 2009	864	1,175

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, the carrying value of Intellectual Property has been reduced by £74k. In 2009, both the carrying value of Intellectual Property and the Provision for Deferred Consideration were reduced by £288k and a similar adjustment made to the value of Investment in Subsidiaries (see notes 16 and 20).

The remaining amortisation period for Intellectual Property is 16 years.

The company held no intangible assets at 30 June 2010 and 2009.

## 16. INVESTMENT IN SUBSIDIARIES

Company	2010 £'000	2009 £'000
<b>Cost &amp; Net Book Value</b>		
At 1 July	3,675	3,163
Additions	-	800
Adjustment to carrying value (note 20)	(74)	(288)
At 30 June	3,601	3,675
<b>Impairment Provision</b>		
At 1 July	(3,131)	(2,139)
Provision for impairment	(254)	(992)
At 30 June	(3,385)	(3,131)
<b>At 30 June 2010</b>	<b>216</b>	<b>544</b>
<b>At 30 June 2009</b>	<b>544</b>	<b>1,024</b>

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	Ordinary	Managing carbon through energy reduction	100%
Sabien Technology IP Limited	Northern Ireland	Ordinary	Ownership of Intellectual Property	100%

A further provision for impairment has been made by the Company to reflect the net asset position of Sabien Technology Limited at 30 June 2010. In 2009, as a result of a review by the directors of the unit sales likely to arise over the next year, the Provision for Deferred Consideration was reduced by £288k and a similar adjustment was made to the value of Intellectual Property and Investment in Subsidiaries (see notes 15 and 20). In 2009, the Company converted £800k of debt owed by its subsidiary, Sabien Technology Limited, to equity.

## 17. INVENTORIES

Group	2010 £'000	2009 £'000
Goods held for resale	128	137

## 18. TRADE AND OTHER RECEIVABLES

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Trade receivables	235	118	-	-
Other receivables	60	44	9	-
Amounts owed by Group undertakings	-	-	538	133
	295	162	547	133

Other receivables comprise deposits.

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 2010, trade receivables of £53k (2009: £19k) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2010 £'000	2009 £'000
Up to 3 months	182	99
3 to 6 months	46	19
More than 6 months	7	-
	235	118

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

	2010 £'000	2009 £'000
Pounds sterling	287	129
Euros	8	4
US Dollars	-	29
	295	162

## 19. CASH AND CASH EQUIVALENTS

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Cash and cash equivalents	965	525	903	510

## 20. TRADE AND OTHER PAYABLES

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Trade payables	19	4	1	2
Social security and other taxation	41	31	(8)	(5)
Convertible loan notes	-	483	-	483
Deferred consideration	61	-	61	-
Accruals and deferred income	99	91	30	35
	220	609	84	515

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 have been revised as additional information became available with a corresponding adjustment being made to intellectual property.

In May 2010, the level of sales achieved to that date has resulted in the directors reducing the value of Intellectual Property by £74k (note 15). The Provision for Deferred Consideration, which had previously been shown as a long term liability (see note 21), has been reduced by £125k resulting in an exceptional gain being made (see note 6). In 2009, the Provision for Deferred Consideration was reduced by £288k and a similar adjustment was made to the value of Intellectual Property and Investment in Subsidiaries (see notes 15 and 16).

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 £4k (2009: £13k).

In November 2009, the Company transferred £40k from the bank account held in the joint names of the Company and the vendor to the vendor solely.

At 30 June 2010, the Company had made a payment of £51k 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 fourth year. This amount is shown under Cash and Cash Equivalents in the balance sheet.

Convertible loan notes represented the discounted amount payable to General Capital Venture Finance (GCVF) Limited in respect of notes bearing a zero coupon. Convertible loan notes were discounted from the anticipated settlement date at the rate of 7%; the balance of £92k was reflected in equity as Shares to be Issued. On 7 August 2009, the Company entered into an arrangement with TVI 2 Limited (TV2) and General Capital Venture Finance Limited (GCVF) whereby TV2 advanced the Company £400k which was used to repay with GCVF's agreement their loan of £500k, which had been scheduled for repayment in December 2009. The loan from TV2 was repayable in 2 years and bore interest at 8% p.a. On 26 October 2009, the Company repaid this loan. The interest charged against income in respect of this loan amounted to £7k.

The difference between the carrying value of the GCVF loan and amount actually repaid resulted in an exceptional gain of £159k (note 6). An adjustment was also made to the Shares to be Issued reserve of £92k as this reserve was no longer required. The interest charged against income in the year amounted to £3k.

## 21. LONG TERM LIABILITIES

	2010 Group £'000	2009 Group £'000	2010 Company £'000	2009 Company £'000
Deferred consideration (see note 20)	-	222	-	222

## 22. SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised 50,000,000 Ordinary shares of 5p each (2010 and 2009)	2,500	2,500
Allotted, called up and fully paid 31,486,511 Ordinary shares of 5p each (2009: 26,570,511)	1,574	1,329

On 14 October 2009, the company placed 4,916,000 shares at a price of 30p each raising £1.475m (£1.4m after expenses).

#### 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 has reduced to 1,518,356 and 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 has 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 has been credited to the Shares to be Issued Reserve in the balance sheet (note 6).

#### SHARE OPTIONS (see note 25)

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

Date of Grant	At 1 July 2009	Grants	At 30 June 2010	Exercise price	Exercisable from	Exercisable to
14 December 2006	1,134,612	-	1,134,612	52p	December 2009	December 2016
11 July 2007	99,010	-	99,010	50.5p	July 2010	July 2017
12 October 2007	100,000	-	100,000	50p	October 2010	October 2017
1 April 2010	-	620,305	620,305	54.5p	April 2013	April 2017
<b>Total</b>	<b>1,333,622</b>	<b>620,305</b>	<b>1,953,927</b>			

## 23. PRIOR YEAR ADJUSTMENT

#### CASH FLOW

The Cash Flow statements for the year ended 30 June 2009 contained errors in the Cash flow from operating activities and the Cash flows from financing activities relating to the presentation of the General Capital Venture Finance loan (note 20) of £483k which had changed from a long to a short term liability during the year.

	Group £'000	Company £'000
<b>Cash flows from operating activities</b>		
Increase/(decrease) in trade and other payables as previously reported	450	491
Prior year adjustment	(483)	(483)
Increase/(decrease) in trade and other payables as restated	(33)	8
<b>Cash flows from financing activities</b>		
(Repayment of)/proceeds from long term borrowings as previously reported	(514)	(514)
Prior year adjustment	483	483
(Repayment of)/proceeds from long term borrowings as restated	(31)	(31)
<b>Net (decrease) in cash and cash equivalents</b>		
Net effect of prior year adjustment	-	-

The presentation in last year's financial statements was incorrect as the loan had not been repaid but only reclassified from long to short term. However, the net effect of the prior year adjustment on the Net decrease in Cash and cash equivalents was £nil and there was no effect on the Cash and cash equivalents at the beginning and at the end of the year nor on the Statement of comprehensive Income, Balance sheets and Statement of changes in equity.

#### BALANCE SHEET

The balance sheets for the year ended 30 June 2009 incorrectly showed short term provisions of £574K for the Group and £518K for the Company separately in current liabilities. These have been included in trade and other payables in the current year financial statements.

## 24. OPERATING LEASE COMMITMENTS

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

Group	Land & buildings	
	2010 £'000	2009 £'000
Expiry date: Between two and five years	37	61

## 25. 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 22 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:

	2010	2009
Share price at date of grant	54.5p	50.5p
Exercise price at date of grant	54.5p	50p
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 £18k arising from the share based payments noted above in the income statement for the year ended 30 June 2010 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 2010	Weighted average exercise price 2010	Number 2009	Weighted average exercise price 2009
Balance at beginning of the financial year	1,333,622	51.74p	1,660,544	51.79p
Granted during the year	620,305	54.50p	-	-
Cancelled during the year	-	-	(326,922)	52.00p
Balance at end of the financial year	1,953,927	52.62p	1,333,622	51.74p
Weighted average remaining contractual life	7.6 years		7.6 years	

## 26. 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 and Karl Monaghan with entities either controlled by them or in which they have an interest as shareholders. Fees are paid in accordance with those agreements. In addition, Ashling Capital LLP, an LLP controlled by Karl Monaghan received a fee of £24k in respect of consultancy work in the year.

During the year, the Company made working capital loans to its subsidiary, Sabien Technology Limited, of £405k. At the year end, the amount outstanding was £538k.



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FOR MORE INFORMATION

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