Company No.: 05568060

Sabien Technology Group Plc
Annual Report and Consolidated Financial Statements
For the year ended 30 June 2018

Company Information

DIRECTORS	Bruce Gordon (Chairman) Alan O'Brien Karl Monaghan Dr Martin Blake
SECRETARY	Edward Sutcliffe
COMPANY NUMBER	05568060
REGISTERED OFFICE	S4B (UK) Ltd Burlington House 1-13 York Road Maidenhead Berkshire SL6 1SQ
WEBSITE	www.sabien-tech.co.uk
AUDITORS	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
BANKERS	National Westminster Bank Plc 72-74 High Street Watford Herts WD17 2GZ
NOMINATED ADVISER AND JOINT BROKER	Beaumont Cornish Limited 10th Floor 30 Crown Place London EC2A 4EB
JOINT BROKER	Peterhouse Capital Limited New Liverpool House 15 Eldon Street London EC2M 7LD
REGISTRARS	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
SOLICITORS	Moore Blatch LLP 11 The Avenue Southampton Hants SO17 1XF

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Chairman & Chief Executive Officer's Report

We report on the results for Sabien Technology Group Plc ("Sabien", "the Company" or "the Group") for the year ended 30 June 2018.

Sabien Technology Group highlights 2018

- Sales for the year £0.59m (2017: £0.51m)
- Loss before tax £0.85m (2017: £1.65m loss)
- Sales from Alliance Partners £0.034m (2017: £0.043m)
- Overseas sales £0.181m (2017: £0.198m)
- Fund raises of £0.40m (gross) to provide working capital.
- Net cash balance at 30 June 2018 was £0.009m (2017: £0.026m)
- Sales pipeline of £10.4m at 30 June 2018 (2017: £8.7m)

Highlights since the year end

- Sales of £0.26m to 20 November 2018
- Sales pipeline at 20 November 2018 standing at c£10.7m
- Net cash balance at 20 November 2018 2018 of £0.030m

Financial results

Revenue in the year was £0.59m (2017: £0.51m). The loss before taxation was £0.68m (2017: £1.65m loss).

At 30 June 2018, cash and cash deposits amounted to £0.009m (2017: £0.026m).

Dividend policy

In view of the loss incurred in the year, no dividend is proposed (2017: nil).

Board, management and people

The Board has one Executive and three Non-Executive Directors and Edward Sutcliffe continues as Company Secretary.

<u>Current trading and outlook</u>

It has been another very challenging year for the Group. While the Board has managed the Group's working capital tightly during the year, given the continuing unpredictability on the timing of conversion of the sales pipeline into sales orders, the Board continues to monitor and reduce costs wherever possible. As a result, Group monthly costs have been reduced further again from approximately £97k for the year ended 30 June 2018 to approximately £86k per month on an ongoing basis.

The Board previously stated that its forecast of monthly breakeven by December 2018 would be unachievable unless sales pipeline conversion could be improved. The improvement in conversion rate has not happened due to contract delays and current market conditions. Therefore, the Group will need to raise further equity funding prior to the end of the calendar year to provide additional working capital.

The Board previously announced that a net loss before taxation for the year would be up to £0.7m. The final loss for the year was £0.85m due to an unforeseen impairment of intellectual property.

Low gas prices and the lack of availability of sufficient external funds, energy-efficient investments particularly for natural gas are pushed out and/or prevented from going ahead.

Investment in M2G projects are also inhibited by internal capital budgeting procedures, investment appraisal rules, and the short-term incentives of energy management staff.

The Board is focusing on generating recurring revenues from M2G rental contracts and from Forensic Boiler Audits (FBA), a consultancy service being offered by the company.

The Board believes that given time, rental contracts and FBAs offers the potential to provide stable, consistent revenues giving a greater visibility to the Board on future financial performance. The Board is totally focused on returning the company towards profitability.

With a significantly reduced cost base and with several M2G phased orders expected, the Board remains optimistic about the Group's product and service offering, the potential market for M2G rental and FBAs and the potential prospects for the year ahead.

Bruce Gordon
Chairman
28 November 2018

Alan O'Brien
Chief Executive Officer
28 November 2018

STRATEGIC REPORT

For the year ended 30 June 2018

1. Review of the Company's Business

The Group owns the rights to M1G and M2G, patented energy efficiency products for installation on commercial boilers and water heaters, both within and outside the UK. It subcontracts the manufacture of both products to its principal supplier, which is based in Northern Ireland, and installation in the UK to a number of trained installation companies.

The Group has a strong reputation in the market place, being recognised as the market leader in Boiler Optimisation Controls.

Background

Historically and to gain a foothold in the UK market the company offered paid pilots of its M2G boiler optimisation controller. While the time-line from pilot to estate roll-out was typically 6-18 months, this method of technology acceptance and adoption proved successful with clients resulting in the company being awarded numerous multimillion pound contracts.

To grow sales the decision was then taken by the Board and Management to offer pilots for free and between 2015 and 2017 completed a total of 56 'free' major pilots in the UK and Overseas.

Our key driver was to test whether offering free pilots would help to remove uncertainty around sales order lumpiness and to help mitigate the delays in mobilising M2G pilots and contract awards brought about by long buying lead times and public tender processes.

Offering 'free' pilots has now proven not to materially shorten the sales cycle however we are in commercial discussions about installing our technology with many clients who took part in our free pilot offer and the management team is confident when conditions are right these discussions will materialise into sales.

Market - Energy efficiency retrofit – Commercial Gas

Our clients are to be found in market sectors where the share of energy costs in total production costs is low – such as in the services sectors, public administrations, or in industries like mechanical engineering and the food sectors.

There are three overriding factors influencing contract award lead times, low gas price, availability of capital and the lack of prevalence of Automated Maintenance Reporting (AMR) and/or sub-AMR in the in-built UK building stock.

The lack of access to capital as a barrier to implementing energy efficiency initiatives in our experience and in practice, is more complex. For large companies the internal 'access to capital' problem stems from neglect of energy efficiency within internal capital budgeting procedures, combined with other organisational rules such as strict requirements on payback periods.

For small and medium-sized companies imperfect access to capital prevents the implementation of profitable energy efficiency projects. Energy efficiency investments tend to be classified as discretionary maintenance projects, they are usually given a lower priority over essential maintenance projects or strategic investments.

This bias towards strict investment criteria can be worsened by individual managers' incentives to favour large, strategic projects, which are more prestigious than energy management activities.

In addition, top management does not consider energy-cost savings as a strategic priority. Thus, given the constraints on time and attention it can be overlooked by top management.

UK Gas Price

From the initial price of 34.6 pence per therm 2016/17 the price of gas is expected to increase to 47.5 pence per therm by 2022/23. As the price of gas is expected to rise in the coming years, gas production levels are expected to fall. From 2016/17 to 2021/22, it is predicted that production will decrease by 3.3 billion therms.

Cost reduction

The continuing unpredictability of sales orders required the company to reduce its operating expenditure during the period under review. This included staff redundancies and non-Executive Board members agreeing to waive their fees. Wherever possible we have reduced our other administrative expenses and overheads.

As a result, we have reduced Group monthly cost expenditure from approximately £97k to approximately £86k per month and will continue to identify cost saving initiatives to help cash flow while safeguarding operational competencies needed to service our ongoing client contractual obligations.

Rental model

To help reduce long order lead times the company introduced a M2G rental option making piloting and financing of M2G projects easier and risk free for its clients. A fixed monthly rental per M2G is charged with an open-ended term of contract.

Future rental income is expected to provide the company with cash flow and recurring revenue helping management make sales forecasts with greater confidence.

Forensic Boiler House Audit (FBA)

Management has developed a robust methodology and process for pilot programmes and a component of this service is identifying boiler plant, Building Management System (BMS) and Automated Maintenance Reporting (AMR) issues that have affected energy savings during the pilot period.

This approach is both necessary and thorough as key variables are measured on 'live' operating sites where you are analysing whole system variables with all their legacy issues and problems.

Using our own in-house software, we are capable of remotely identifying plant room efficiency blind spots and underperforming plant components.

When issues are correctly identified and resolved energy efficiency performance will improve, it reduces 'same issue' reactive/proactive maintenance costs and helps to improve cross function relationships i.e. Head of Engineering and Energy Managers.

Other sales channels

Outside the UK, the Group appoints "Tech Centres" which are organisations involved in the supply of boiler systems and controls to customers in their own territories. These Tech Centres are given training in the installation of M2G as part of the appointment process and purchase an agreed minimum number of M2Gs each year.

The Group sells both directly and through a number of facilities management and property management organisations. Sabien's sales focus is organisations with multi-site estates within both the public and private sectors.

Team

The Group employs its own project management and technical engineering staff who are responsible for ensuring the smooth roll-out and quality control of each M2G pilot and installation project. Headcount currently stands at 8.

2. Principal risks and uncertainties facing the Group

The principal risks faced by the Group are:

- Downward pressure on gas and oil prices
- Technology developments and competitive products
- Changes in legislation
- Supply chain issues
- Inability to meet customer demand
- Non-recurring revenue model however this is now being addressed
- Brand awareness and maintenance of reputation
- Employee retention
- Raising further finance
- Trading solvently in the short/medium term

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 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 weekly 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.

UK Energy Efficiency Barriers

Information, its provision and lack of trust, misaligned financial incentives, and behaviour barriers mean energy efficiency is undervalued. These barriers are often inter-related and work together to reduce investment in energy efficiency.

The UK market is under developed thus has relatively limited/mixed expertise and 'know-how' on the Client, vendor side for energy efficiency investment.

Information

One of the key characteristics of an embryonic market is there is a lack of access to trusted and appropriate information.

Energy efficiency improvements are typically made through purchasing upgraded equipment, retro-fit technology and additives however the biggest challenge facing the market is identifying the absolute savings in energy and emissions which means that potential buyers are not in a position to assess the benefits of an energy efficiency proposal.

Financing

Energy efficiency projects can be undermined by the absence of standardised monitoring and verification processes which means that the benefits of energy efficiency investments are not trusted.

It can be difficult to relate back to individual activities to identify opportunities to make energy efficiency improvements. In the absence of clear, trusted information, many buyers do not prioritise energy efficiency investments.

Misaligned financial incentives

It is not always the case that the person who is responsible for making energy efficiency improvements will receive the benefits of their actions.
Commercial rented tenants are responsible for their own bills and therefore it is in their interest to reduce the bills, but contractual arrangements around landlord/tenants or facilities management may inhibit investment.

Therefore, energy efficiency investments are not prioritised as they might otherwise be. Energy costs can be a relatively small proportion of costs for many sectors, but in aggregate that energy use is a huge ask of our energy system.

Undervaluing energy efficiency

The lack of salience of energy efficiency increases the impact of hassle costs and behavioural barriers. Energy efficiency changes may involve significant hassle costs for those carrying out the investment, which increases the costs of the investment e.g. disruption caused by building works or disruption to production lines.

Energy efficiency improvements may not be seen as strategic for a company and therefore not prioritised.

Outside of the energy intensive industry sectors, energy bills are only a small proportion of business costs. If the relative gain is small, then the hassle costs can act as a significant barrier, especially if there is uncertainty around the benefits of the investment. While hassle costs are not a market failure, they compound the impact of other behavioural barriers, reducing investment in energy efficiency. This is often why companies are reluctant to invest in energy efficiency, seeking short payback times, even if a project is cost-effective and meets SPB criteria. Wider economic uncertainty is also reducing willingness to invest.

3. Performance of the business in the financial year

- **Business Development - UK**

The Group estimates that the sales pipeline at 30 June 2018 stood at £10.4m (2017 - £8.74m).

Alliance partners contributed £0.034m of sales representing 5.8% of the total for the year. The volume of sales from alliance partners will vary from year to year and is dependent on the stage at which each partner is at in the sales cycle with its own clients and pipeline. Major alliance partners with whom we have done business in the year included CBRE and Jones Lang LaSalle.

- **Business Development - Overseas**

The Group sells M2G internationally through its network of "Sabien Tech Centres". A "Sabien Tech Centre" is a company outside the UK with:

  - An established distribution network and an existing client base in the commercial and industrial heating sector
  - Engineering capability and capacity
  - Competence in commercial boilers and currently offering energy efficiency solutions as part of their product and service suite

The channel will require a level of M2G operational support in knowledge transfer/sharing and product training.

During the course of the financial year, overseas sales represented 31% of total sales at £0.18m (2017 - £0.20m). In 2013, the Group appointed Fireye, Inc. as a non-exclusive distributor in the USA as well as other overseas territories. Through this relationship with Fireye and with other parties, we have appointed Tech Centres in a number of territories throughout the world.

We remain confident this relationship will in time bring material value to the Group in the future. For further information on Fireye NXM2G, please visit www.flamecontrols.com.

- **UK M2G Pilots**

The Group will offer pilots but only on a paid basis and only to customers with large estates.

- **M1G**

The Group launched its M1G, a product for use on hot water heaters in 2014. The M1G is designed to prevent the inherent problem of short cycling within direct hot water generators resulting in unnecessary fuel consumption during low load demands. Short cycling is caused when the hot water generator's minimum firing capacity exceeds the current system loss, causing the hot water generator to fire for very short periods. M1G is sold to customers as an adjunct to M2G sales.

- **Key Performance Indicators ("KPIs")**

The Group has identified a number of key performance indicators which are regularly monitored to ensure that business is on track or to give warning where problems may be arising:

Financial: The management's focus is on the development of the sales pipeline, the maintenance of a healthy gross margin 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 385 units (2017: 476 units) and the gross profit margin was 82.6% (2017: 66%). The margin has increased predominantly due to reduced reliance on subcontractors for installations and introduction of high margin revenue streams such the M2G rental option. In addition, overheads have continued to reduce from last year. This is the first full year where the cost savings from the reduction in headcount have been realised.

Pipeline: We are continually refining the pipeline and only include in it any potential business that has been quoted for, and for which we are in regular contact with the client, or for which the client has given the Group an indicative start date.

Reputation: The Group's reputation for project management and delivery of its product's benefits on time and within budget is key to its continuing business success. Management is always looking at improving the quality of the Group's performance and will continue to invest in products and solutions to enable it to maintain and enhance its reputation.

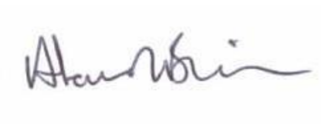
Personnel: In the short-term the Group is not looking to recruit.

4. Strategy

The Group has a 5-year growth strategy and is refined to reflect the learnings from our free piloting programme.

- Significantly scaling M2G rental contracts in the UK.
- Converting 30% of our P35/P40 to sales over the next 12 months.
- Commercialising our Forensic Boiler Audit service.
- Maintain a network of overseas distribution partners to deliver material revenue for the Group.
- Maintain or exceed an installation capacity in line with company forecasts and to continue providing our clients and partners with a world class project management service and experience.
- Maintaining brand awareness and reputation of the Group.

This report was approved and authorised for issue by the Board on 28 November 2018 and signed on its behalf by:



Alan O'Brien
Chief Executive Officer
28 November 2018

Directors’ Report

For the year ended 30 June 2018

The directors present their report and the consolidated financial statements for the year ended 30 June 2018. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In accordance with S414C(11) of the Companies Act 2006, the directors have chosen to include information about future developments and financial instrument risk in the Strategic Report.

Principal Activities

The principal activity of the Group during the year was the design, manufacture and sale of M1G and M2G, boiler energy efficiency technologies, which are 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 & Chief Executive Officer’s Report and the Strategic Report.

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 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 Bruce Gordon. 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, before taxation, amounted to £845k (2017: £1,651k loss). The Directors do not recommend a final dividend this year (2017 – nil).

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 0.5p each**		**Ordinary shares of 0.5p each**	
		2018	**%**	**2017**	**%**
A. O’Brien	25 October 2005	11,700,000	6.1	11,700,000	10.6
K. Monaghan	1 September 2007	2,522,495	1.3	2,522,495	2.3
B. Gordon	30 September 2016	44,745,000	23.5	14,745,000	13.4

M. Blake does not have a beneficial interest in the Company's issued share capital. B. Gordon is also a director of Thames Valley Capital Limited, an advisor to TVI 2 Limited, which holds 4,108,356 Ordinary shares in the Company, representing 2.1% of the issued share capital. He is therefore interested, directly and indirectly, in 48,853,356 Ordinary shares, representing 25.7% of the issued share capital.

Substantial Shareholdings

At 23 November 2018, 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**
Lynchwood Nominees Limited	35,026,600	18.4%
W B Nominees Limited	14,373,333	7.6%
Bny (Ocs) Nominees Limited	13,122,000	6.9%
Interactive Investor Services Nominees Limited	10,387,814	5.5%
Hargreaves Lansdown (Nominees) Limited	9,326,125	4.9%
J M Finn Nominees Limited	7,812,500	4.1%
Hsdl Nominees Limited	6,030,164	3.2%

At the date of this report, there were 190,254,867 Ordinary shares in issue.

Auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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 November 2018 and signed on its behalf by:

Bruce Gordon
Chairman
28 November 2018

Alan O'Brien
Chief Executive Officer
28 November 2018

Corporate Governance

In April 2018, the Quoted Companies Alliance (QCA) published an updated version of its Code which provides UK small and mid-sized companies with a corporate governance framework that is appropriate for a Company of our size and nature. The Board considers the principles and recommendations contained in the QCA Code are appropriate and have therefore chosen to apply the QCA Code.

The Company is subject to the City Code on Takeovers and Mergers.

Statement of compliance with the QCA Code and applying the principles of good governance

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 QCA Code during the period under review.

The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles.

Principle One
Business Model and Strategy

The Group has a 5-year growth strategy and is refined to reflect the learnings from our free piloting programme.

- Significantly scaling M2G rental contracts in the UK.
- Converting 30% of our P35/P40 to sales over the next 12 months.
- Commercialising our Forensic Boiler Audit service.
- Maintain a network of overseas distribution partners to deliver material revenue for the Group.
- Maintain or exceed an installation capacity in line with company forecasts and to continue providing our clients and partners with a world class project management service and experience.
- Maintaining brand awareness and reputation of the Group.

Principle Two
Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.sabien-tech.co.uk, and via Alan O'Brien, CEO and Edward Sutcliffe, Company Secretary who are available to answer investor relations enquiries.

Principle Three
Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. For example, a companywide internal information system shares live information on key suppliers, customers and projects, allowing the Company to efficiently fulfil customer requirements. Furthermore, all employees of the Company participate in an annual assessment process which is designed to ensure that there is an open and confidential dialogue with each person in the Company to promote successful two-way communication with agreement on goals, targets and aspirations of the employee and the Company. These feedback processes help to ensure that the Company can respond to new issues and opportunities that arise to further the success of employees and the Company. The Company has close ongoing relationships with a broad range of its stakeholders and provides them with the opportunity to raise issues and provide feedback to the Company.

Principle Four
Risk Management

The Board, through its committees is responsible for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage significant risks faced by the Group. The table below outlines the risks faced by the Group, identifies their impact and the controls that are in place to mitigate them.

Activity	**Risk**	**Impact**	**Control(s)**
Management	Recruitment and retention of key staff	Reduction in operating capability	Stimulating and safe working environment Balancing salary with longer term incentive plans
Regulatory adherence	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company including regular review of any changes to current legislation
Strategic	Damage to reputation	Inability to secure new capital or clients	Effective communications with shareholders coupled with consistent messaging to our customers
	Inadequate disaster recovery procedures	Loss of key operational and financial data	Robust compliance Secure off-site storage of data
	Lack of recurring revenue	Over-reliance on capital sales which can be unpredictable	Development of rental model and Forensic Boiler Audit Service
Financial	Liquidity, market and credit risk	Inability to continue as going concern	Robust capital management policies and procedures
	Inappropriate controls and accounting policies	Reduction in asset values Incorrect reporting of assets	Appropriate authority and investment levels as set by Treasury and Investment Policies Audit Committee

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, and lines of responsibility. In particular, any capital investment requires a business case to be presented to and approved by the Board. Financial reporting is carried out within a comprehensive financial planning and accounting framework with oversight by the audit committee. 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.

Principle Five
A Well-Functioning Board of Directors

As at the date hereof the Board comprised the Non-Executive Chairman, Bruce Gordon; the Chief Executive Officer, Alan O’Brien; and two Non-Executive Directors, Dr Martin Blake and Karl Monaghan. In addition, the Company Secretary, Edward Sutcliffe attends all Board meetings. Biographical details of the current Directors are set out within Principle Six below.

Executive and Non-Executive 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. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours.

The Board meets at least six times per annum. It has established an Audit Committee and a Remuneration Committee, the particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. The Chairman and the Non-Executive Directors are considered to be part time but are expected to provide as much time to the Company as is required. The Board considers that this is appropriate given the Company's current stage of operations. It shall continue to monitor the need to match resources to its operational performance and costs and the matter will be kept under review going forward. Dr Martin Blake and Karl Monaghan are considered to be Independent Directors by the Board. The Board notes that Martin and Karl both hold share options in Sabien, but these are not considered significant enough to affect decision making. In addition, Karl has served on the board for 11 years, but the Board does not consider that this has affected his independence as he has regularly resigned by rotation and been re-appointed. The Board notes that the QCA recommends a balance between executive and non-executive Directors and recommends that there be two independent non-executives. The Board shall review further appointments as scale and complexity grows.

Attendance at Board and Committee Meetings
The Company shall report annually on the number of Board and committee meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone. The following table shows attendance of the directors at Board meetings.

	Board	**Remuneration**	**Audit**

	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Bruce Gordon	7	7	0	0	2	2
Alan O'Brien	7	7	0	0	2	2
Dr Martin Blake	7	7	0	0	1	2
Karl Monaghan	7	7	0	0	2	2

Principle Six
Appropriate Skills and Experience of the Directors

The Board currently consists of four Directors and, in addition, the Group has employed the services of Edward Sutcliffe to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets.

The Board recognises that it currently has a limited diversity, and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Bruce Gordon
Chairman

Bruce is an experienced Chartered Accountant with a focus on Audit and Corporate Finance. From 2001 to 2008 Bruce was a senior partner of Deloitte LLP responsible for the Southern Region. His clients included a number of FTSE 100 and FTSE 350 companies. He was a member of the UK Board of Partners and served on various Board Committees. Prior to joining Deloitte in 2001, he was the UK Regional Managing Partner at Arthur Andersen. He is the founder of Thames Valley Capital Limited, which advises growth capital funds, and which keeps his wide range of experience current.

Bruce chairs the Remuneration Committee and is a member of the Audit Committee.

Alan O'Brien
Chief Executive Officer

Alan has held a number of senior marketing management and commercial roles within the UK Energy and Telecom sectors including positions with TXU, KDDI, Eircom and Irish Life Plc. Most recently he was employed by E. ON (formerly Powergen UK) as Business Development Manager, where he was responsible for the group's business development strategy and the development of key strategic alliances and partnerships within the UK and across Pan-European E. ON markets. Alan left E. ON in 2004 and subsequently founded the Sabien business. Alan holds a BA Hons in International Marketing and a Diploma in Direct Marketing. As Chief Executive Officer of Sabien, Alan is responsible for Group strategy, client liaison and the identification of new business opportunities.

Dr Martin Blake
Non-executive Director

During his time at Royal Mail, Martin led the Social Responsibility and Sustainability Teams as well as designing and deploying an international award winning Carbon Management Programme to combat climate change. Prior to joining Royal Mail Martin spent over 20 years in the Middle East working first for an American Healthcare provider and later the largest oil company in the world 'Saudi Aramco'.

Martin has over 25 years' experience in business management, Corporate Social Responsibility and Sustainability. Martin holds an MBA in Organisational Analysis and Strategic Management and his Doctorate in Business (DBA) focused on Organisational Change. Martin is an Adjunct Professor of Sustainable Business Development at both Griffith University and the University of Southern Queensland. Martin is a non-executive director for one American company – 'Ecologic' (green transport and logistics) and two Australian companies – 'In Good Company' (full service CSR consultancy) and Carbon Zero Solutions (Sustainability and Carbon Management Consultancy).

Martin is a Member of the Institute of Directors and a Fellow of the Chartered Institute of Management.

Martin chairs the 'PostEurop' (45 European postal authorities) sustainability committee and is a member of many government and non-government advisory panels on sustainability and climate change. Martin chairs and advises a multitude of strategic groups, all focused on the development and deployment of low carbon infrastructure, including board directorships of Fuel Cell Europe and the Scottish Hydrogen Fuel Cell Association.

Martin is also a strategic advisor to Bovis Lend Lease (UK) and the Scottish Government Hydrogen group and a Trustee of PURE a UK charity specializing in Socially Responsible Carbon Offset.

Martin is a member of the Remuneration and the Audit Committees.

Karl Monaghan
Non-executive Director

After graduating from University College Dublin with a Bachelor of Commerce degree, Karl trained as a Chartered Accountant with KPMG in Dublin. He has worked in corporate finance departments at a number of merchant banks and stockbrokers, latterly with Credit Lyonnais Securities for seven years and Robert W. Baird for two years until June 2002. During this time, he focussed on business services companies and has significant experience in advising companies in the staffing sector.

Karl set up Ashling Capital LLP in December 2002 to provide consultancy services to quoted and private companies. He is also a non-executive director of AIM companies CareTech Holdings PLC and FDM Holdings PLC.

Karl chairs the Audit Committee and is a member of the Remuneration Committee.

Principle Seven
Evaluation of Board Performance

Internal evaluation of the Board, and individual Directors will be undertaken on an annual basis in the form of peer appraisal and discussions to determine the effectiveness and performance as well as the Directors' continued independence.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each Director and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

Principle Eight
Corporate Culture

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine
Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Chairman and Chief Executive Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Chairman is responsible for the effectiveness of the Board, while management of the Company's business and primary contact with shareholders has been delegated by the Board to the Chief Executive Officer.

Audit Committee

During the financial year ended 30 June 2018 the Audit Committee was chaired by Karl Monaghan who was supported by Dr Martin Blake and Bruce Gordon. This committee meets no less than twice a year. It is responsible for making recommendations to the Board on the appointment of auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for the reporting of the financial performance of the Group and for reviewing financial statements prior to publication.

Remuneration Committee

During the financial year ended 30 June 2018, the Remuneration Committee was chaired by Bruce Gordon who was supported by Dr Martin Blake and Karl Monaghan. The Remuneration Committee 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.

Nominations Committee

The Board has agreed that appointments to the Board will be made by the Board as a whole and so has not created a Nominations Committee.

Non-Executive Directors

The Board has adopted guidelines for the appointment of Non-Executive Directors which have been in place and which have been observed throughout the year. Non-Executive Directors retire by rotation. 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.

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Principle Ten
Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has close ongoing relationships with its private shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company through its website, www.sabien-tech.co.uk, and via Alan O'Brien, CEO and Edward Sutcliffe, Company Secretary who are available to answer investor relations enquiries.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

Remuneration Report

This report should be read in conjunction with note 8 to the accounts. The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of executive directors. In doing so, the Committee's aims are:

- To determine the policy for the remuneration of the executive directors;
- To review the on-going appropriateness of the remuneration policy;
- To approve the design of and review share incentive plans and bonus schemes and to determine the awards to be made under such plans or schemes; and
- To ensure that the remuneration policies adopted by the Company give due regard to any legal requirements, the provisions and recommendations in the UKCGC 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; and
- 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
K. Monaghan	3 months
M. Blake	3 months
B. Gordon	3 months

Directors' remuneration during the period (audited)

	Salaries and fees £'000	Taxable benefits £'000	Total 2018 £'000	Total 2017 £'000
Executive directors				
A. O'Brien	136	2	138	138
G. Orchard (retired 30 June 2017)	-	-	-	112
Non-executive directors				
K. Monaghan	8	-	8	25
M. Blake	10	-	10	25
B. Gordon	20	-	20	40
Total	**174**	**2**	**176**	**340**

Fees paid to K. Monaghan, M. Blake and B. Gordon were paid to Ashling Capital LLP, Blake Advisory Pte. Ltd and Thames Valley Capital Limited 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 2017**	**30 June 2018**	**Exercise price**	**Date from which exercisable**	**Expiry Date**
A. O'Brien	01/04/10	74,483	74,483	54.5p	01/04/13	01/04/20
K. Monaghan	12/10/07	100,000	-	50.0p	12/10/10	12/10/17
	01/04/10	14,323	14,323	54.5p	01/04/13	01/04/20
M. Blake	25/11/10	91,743	91,743	54.5p	25/11/13	25/11/20
Total		**280,549**	**180,549**			

The mid-market price of the Company's shares at the end of the financial year was 0.37p.

Bruce Gordon
Chairman of the Remuneration Committee
28 November 2018

Directors' Responsibilities Statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm to the best of our knowledge that:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

2. the strategic report and the directors' report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation as a whole together with a description of the principal risks and uncertainties that they face.

Independent Auditors' Report to the Members of Sabien Technology Group Plc

Opinion

We have audited the financial statements of Sabien Technology Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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.

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 2018 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;
- 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 (iii) in the financial statements, which notes that the conversion of opening pipeline to sales revenue in the year amounted to 6.8% which was a significant reduction on historical conversion rates, and further notes that the group made a loss of £0.845m for the year and had limited cash resources at the year end. The ability of the group to grow its revenues and return to profitability depends on its ability to convert its pipeline into sales revenue and to successfully launch its rental income stream. As stated in note 3 (iii) these events or conditions, along with the other matters described in note 3 (iii) indicate that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern. The Group raised £400,000 (gross) in March 2018 and will require further funding if the sales revenue targets are not met. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the 'Material uncertainty related to going concern' paragraph we have determined the matters described below to be the key audit matters to be communicated in our report.

Audit Area and Description	Audit approach
Carrying value of intangibles The intangible asset in the Consolidated Statement of Financial Position consists of the intellectual property representing the rights to the M2G product acquired from the inventors. The overall decrease in revenue over the past four years and the continued pre taxation losses potentially indicated an impairment to the carrying value of the intangible asset.	In order to satisfy ourselves that the carrying value of the intangible asset was appropriate: • We reviewed the assumptions underpinning the Directors' IAS36 valuation of the intellectual property. • We assessed the Directors' assertion that a £0.169m impairment was required by reference to trading performance and forecasts. • We considered the appropriateness of the amortisation policy for intellectual property.
Carrying value of investment in subsidiaries The cost of investment in subsidiaries in the Company Statement of Financial Position has increased by £0.173m in the past year due to the partial capitalisation of a loan to the subsidiary following the pre taxation loss in the period. This factor potentially indicated an impairment to the carrying value of the Investment in subsidiaries.	In order to satisfy ourselves that the carrying value of the investment in subsidiaries was appropriate: • We checked the calculation of the cost of investment addition in the year. • We reviewed the assumptions underpinning the Directors' IAS36 valuation of the investment in subsidiaries. • We assessed the Directors' assertion that an impairment of £3.774m was required by reference to trading performance and forecasts.

Our application of materiality
The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements both individually and as a whole.

Due to the nature of the Group we considered income and profitability to be the main focus for the readers of the financial statements and accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality for the Group to be £11,525, based on an initial calculation of revenue.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group was 60% of materiality, namely £6,915.

We agreed to report to the Audit Committee all audit differences in excess of £576, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section above.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

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 which we are required to include in an auditor's 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 company's members as a body, for our work, for this report, or for the opinions we have formed.

28 November 2018

Kingston Smith LLP

John Staniforth (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Revenue		**588**	**509**
Cost of sales		(102)	(173)
Gross profit		**486**	**336**
Administrative expenses		(1,331)	(1,990)
Operating loss	5	**(845)**	**(1,654)**
Investment revenue	6	-	3
Loss before tax		**(845)**	**(1,651)**
Tax credit	9	-	30
Loss for the year attributable to equity holders of the parent company		**(845)**	**(1,621)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(845)**	**(1,621)**
Loss per share in pence – basic	10	(0.6)	(2.3)
Loss per share in pence – diluted	10	(0.6)	(2.3)

The earnings per share calculation relates to both continuing and total operations.
The notes on pages 34 to 51 form part of these financial statements.

Consolidated and Company Statements of Financial Position

As at 30 June 2018 **Company Reg No: 05568060**

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	37	59	-	-
Intangible assets	12	198	414	-	-
Investment in subsidiaries	13	-	-	-	3,601
Total non-current assets		235	473	-	3,601
Current assets					
Inventories	14	79	133	-	-
Trade and other receivables	15	110	82	198	69
Cash and bank balances	16	9	26	8	14
Total current assets		198	241	206	83
TOTAL ASSETS		**433**	**714**	**206**	**3,684**
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	17	319	156	92	22
Total current liabilities		319	156	92	22
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	18	2,931	2,531	2,931	2,531
Other reserves		1,026	1,080	1,026	1,080
Retained earnings		(3,843)	(3,053)	(3,843)	51
Total equity		**114**	**558**	**114**	**3,662**
TOTAL EQUITY AND LIABILITIES		**433**	**714**	**206**	**3,684**

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 £3,949k (2017: £2,632k loss). There is no other comprehensive income in the Parent Company.

The financial statements were approved and authorised for issue by the Board on 28 November 2018 and were signed on its behalf by:

Alan O'Brien
Chief Executive Officer
28 November 2018

The notes on pages 34 to 51 form part of these financial statements.

Consolidated and Company Cash Flow Statements

For the year ended 30 June 2018

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Loss before taxation	(845)	(1,651)	(3,949)	(2,632)
Adjustments for:				
Depreciation and amortisation	90	107	-	-
Profit on disposal of property, plant and equipment	-	(3)	-	-
Impairment of intangibles	169	-	-	-
Impairment of investment in subsidiary	-	-	3,774	2,523
Transfers to equity reserves	1	1	1	1
(Increase) / Decrease in trade and other receivables	(28)	127	(130)	-
Decrease in inventories	54	88	-	-
Increase / (Decrease) in trade and other payables	133	(60)	71	(20)
Cash used in operations	**(426)**	**(1,391)**	**(233)**	**(128)**
Corporation taxes recovered	-	30	-	-
Net cash outflow from operating activities	**(426)**	**(1,361)**	**(233)**	**(128)**
Cash flows from investing activities				
Share issues	400	1,147	400	1,147
Investment in subsidiary	-	-	(173)	(1,220)
Purchase of property, plant and equipment	(21)	(1)	-	-
Proceeds on disposal of property plant and equipment	-	6	-	-
Finance costs	-	-	-	-
Net cash generated by/(used in) investing activities	**379**	**1,152**	**227**	**(73)**
Net decrease in cash and cash equivalents	**(47)**	**(209)**	**(6)**	**(201)**
Cash and cash equivalents at the beginning of the year	**26**	**235**	**14**	**215**
Cash and cash equivalents at the end of the year	**(21)**	**26**	**8**	**14**
Cash and cash equivalents comprise:				
Cash and cash equivalents	9	26	8	14
Invoice financing (included in other payables)	(30)	-	-	-
	(21)	**26**	**8**	**14**

The impairment of the carrying value of the investment in subsidiary, as detailed in note 13, is a significant non-cash transaction.

The notes on pages 34 to 51 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2016	2,200	165	168	(1,502)	1,031
Changes in equity for year					
Loss for the year	-	-	-	(1,621)	(1,621)
Share issues	331	816	-	-	1,147
Employee share option scheme – value of services provided	-	-	1	-	1
Transfer to retained earnings re lapsed options	-	-	(70)	70	-
Balance at 30 June 2017	**2,531**	**981**	**99**	**(3,053)**	**558**
Changes in equity for year					
Loss for the year	-	-	-	(845)	(845)
Share issues	400	-	-	-	400
Employee share option scheme – value of services provided	-	-	1	-	1
Transfer to retained earnings re lapsed options	-	-	(55)	55	-
Balance at 30 June 2018	**2,931**	**981**	**45**	**(3,843)**	**114**

The notes on pages 34 to 51 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2016	2,200	165	168	2,613	5,146
Changes in equity for year					
Loss for the year	-	-	-	(2,632)	(2,632)
Share issue	331	816	-	-	1,147
Employee share option scheme – value of services provided	-	-	1	-	1
Transfer to retained earnings re lapsed options	**-**	**-**	(70)	70	-
Balance at 30 June 2017	**2,531**	**981**	**99**	**51**	**3,662**
Changes in equity for year					
Loss for the year	-	-	-	(3,949)	(3,949)
Share issue	400	-	-	-	400
Employee share option scheme – value of services provided	-	-	1	-	1
Transfer to retained earnings re lapsed options	**-**	**-**	(55)	55	-
Balance at 30 June 2018	**2,931**	**981**	**45**	**(3,843)**	**(114)**

The notes on pages 34 to 51 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

General information

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

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

1. Accounting policies

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

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

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

The Directors believe that, despite the losses incurred in the past four years and the uncertainty as to the timing of future profitability, the Group is a going concern and have accordingly prepared these financial statements on a going concern basis.

The key performance indicator for the Group is the conversion of its sales pipeline to revenue. The pipeline comprises business cases submitted to clients. The conversion of opening pipeline to sales revenue in the year amounted to 6.8% which was a significant reduction on previous years' conversion rates. This was the result of delays with several of the projects and current market conditions. The Board considers that this rate will be able to be improved in future periods. However, based on this conversion rate, and after taking into account the capital raise prior to the end of the calendar year, cashflow forecasts prepared by the Directors confirm that the Group will have sufficient working capital to settle its liabilities as they fall due for a period of not less than 12 months from the date of the approval of these financial statements.

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

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

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

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

Accounting for the Company's acquisition of the controlling interest in 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 Acquisitions and Mergers which was in place at the time of the transaction 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 Statement of Financial Position and other financial information have been presented as though the assets and liabilities of the combining entities had been transferred at 1 October 2005.

Whilst FRS 6 is no longer effective similar requirements are set out in the current UK Financial Reporting Standard, FRS 102, in respect of such transactions.

The Group did take advantage of section 131 of the Companies Act 1985 and debited the difference arising on the merger with Sabien Technology Limited to a merger reserve. When consolidated retained earnings are available, any debit reserves are offset against these retained earnings. As there were consolidated retained earnings available in the year ended 30 June 2012, the merger reserve was offset against those retained earnings.

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	3-4 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; and
- 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 year end date. These are classified as non-current assets.

Trade receivables are classified as loans and receivables and are recognised at fair value less provision for impairment. Trade receivables, with standard payment terms of between 30 to 65 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.

The Group's financial assets are disclosed in notes 14 and 15. Impairment testing of trade receivables is described in note 15.

Financial Liabilities:
The Group classifies its financial liabilities as trade payables and other short term monetary liabilities. Trade payables and other short term monetary liabilities are recorded initially at their fair value and subsequently at amortised cost. They are classified as non-current when the payment falls due greater than 12 months after the year end date and are described in note 17.

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

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

Revenue from services generally arises from pilot projects for customers and is recognised once the pilot has been completed and the results notified to the customer. Pilot projects generally have a duration of between 1 and 3 months.

Revenue from operating lease services rendered to customers is recognised on a straight-line basis.

Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

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

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

l) **Operating leases (Group as lessee)**: Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss on the straight-line basis over the lease term.

m) **Operating leases (Group as lessor)**: Assets leased to customers under operating leases are included in property, plant and equipment and are depreciated over their lease term down to their anticipated realisable value on a straight-line basis. Anticipated realisable values are regularly reassessed and the impact upon the depreciation charge is adjusted prospectively.

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 year end 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) **Accounting basis and standards**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

During the year ended 30 June 2018 the Group adopted a number of new IFRS standards, interpretations, amendments and improvements to existing standards. These new standards and changes did not have any material impact on the Company's financial statements.

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective and, in some cases, had not yet been adopted by the EU. The Company intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

IFRS 9, 'Financial Instruments'
IFRS 15, 'Revenue from Contracts with Customers'
IFRS 16 'Leases'

IFRS 10 and IAS 28 (amendments), 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
Amendments to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions'
Amendments to IAS 7, 'Disclosure Initiative'
Amendments to IAS 12, 'Recognition of Deferred Tax Assets for Unrealised Losses'

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Group in future periods except that IFRS 9 will impact both the measurement and disclosure of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond this, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

IFRS 16 is a significant change to leasee accounting and all leases will require balance sheet recognition of a liability and a right-of-use asset except short term leases and leases of low value assets. The effect on the Group in the future cannot be accurately quantified at this stage.

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant for the Group's activities and which have not therefore been adopted in preparing these financial statements.

2. Financial risk management

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

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

The principal financial instruments used by the Group, from which the financial instrument risk arises, are as follows:
• trade and other receivables
• cash and cash equivalents
• trade and other payables

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

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

(i) Credit Risk

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

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

The carrying amount in the Consolidated Statement of Financial Position, 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 year end 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 year end 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 2018				
Trade and other payables	319	-	-	-
At 30 June 2017				
Trade and other payables	156	-	-	-

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).

- 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 £1k (2017: £1k).

- Currency Risk

The Group operates internationally through its distributorship arrangements in Europe and the US and is exposed to currency risk arising from the Euro and the US dollar. Currency 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 2018 Euro and US dollar exchange rates would have increased the Group's loss after tax by less than £1k (2017: £1k).

- Other Price Risk

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

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.

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 20 to the accounts in arriving at an estimated fair value in line with the requirements of IFRS2.

(iii) Going Concern

The key performance indicator for the Group is the conversion of its sales pipeline to revenue. The pipeline comprises business cases submitted to clients. The conversion of opening pipeline to sales revenue in the year amounted to 6.8% which was a significant reduction on the historical conversion rates. This was the result of the prolonged discussions with a number of large prospects.

Following the reduction in sales revenue the Group incurred a loss for the year of £845,000 and at the year end had cash reserves of £9,000. These conditions indicate the existence of a material uncertainty in respect of going concern. However, the directors are taking steps to address the uncertainty and which they expect will ultimately return the Group to profitability as set out below.

The Group continues to have substantive discussions with a number of parties who have received the P35 and P40 pilot reports. The Board considers that a number of these discussions will result in significant sales revenue.

In addition, the Board has significantly reduced the Group's cost base and improved the business model to develop a more predictable revenue stream. The Group launched a rental option for the M2G in late 2017 and is in the process of rolling out the first contract. In addition, interest is growing in the Forensic Boiler Audit service.

On 23 November 2018 the Company announced that its broker, Peterhouse Capital Limited, had conditionally raised gross proceeds of £400,000 via the placing of 400,000,000 new ordinary shares with new and existing investors, at a price of 0.1 pence per placing share, conditional, *inter alia*, on the approval of the resolutions effecting a proposed subdivision by the Company's shareholders at a General Meeting subsequently convened for 13 December 2018.

The cashflow forecasts based on the above prepared by the Directors confirm that the Group will have sufficient working capital to settle its liabilities as they fall due for a period of not less than 12 months from the date of the approval of these financial statements. Consequently, the financial statements have been prepared on a 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 required in the Company’s Statement of Financial Position as at the year end date, as detailed in note 13.

(v) Deferred Tax Assets
Management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. In 2015, the Directors decided that it would be prudent not to recognise any deferred tax asset in the financial statements until recurring profitability is attained.

Given the loss for the year and the likelihood of the Company not returning to profitability in the current financial year, no deferred tax asset will be recognised in the financial statements for the year under review.

The tax losses available to offset against future taxable profits, subject to HMRC agreement, are estimated at £5.9m.

(vi) Intellectual Property
As a result of a review by the Directors of the unit sales likely to arise over the next year, no change in the value of Intellectual Property has been deemed to be necessary and consequently no provision has been made for impairment.

4. Segmental reporting

Based on risks and returns, the Directors consider that the primary reporting business format is by business segment which is currently just the supply of energy efficiency products, as this forms the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and assess its performance. Therefore, the disclosures for the primary segment have already been given in these financial statements. The secondary reporting format is by geographical analysis by destination. Non-UK revenues amounted to 31% of the total and are analysed as follows:

Geographical information	Year ended 30 June 2018 Sales revenue £'000	% of total revenue	Year ended 30 June 2017 Sales revenue £'000	% of total revenue
UK	406	69	305	60
Other	182	31	204	40
Total	**588**	**100**	**509**	**100**

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

	Sales revenue £'000	% of total revenue
Customer 1	256	44
Customer 2	86	15
Customer 3	71	12

5. Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Depreciation of property, plant & equipment	43	60
Impairment of intangible assets	169	-
Amortisation of intangible assets	47	47
Profit on disposal of property, plant and equipment	-	(3)
Operating lease rentals – land and buildings	62	54
Cost of inventories recognised as an expense	54	131

The impairment of intangible assets is further detailed on note 12 of the financial statements.

6. Investment revenue

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Interest receivable	-	3

7. Auditors' remuneration

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Fees payable to the Company's auditors for:		
- the audit of the Company's annual accounts	10	10
Fees payable to the Company's auditors for other services to the Group:		
- the audit of the Company's subsidiary	15	18
Total audit fees	**25**	**28**
Fees payable to the Company's auditors for:		
- taxation compliance services	-	5
- other services	6	5
Total other fees	**6**	**10**

8. Staff costs

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Wages and salaries	545	1,199
Social security costs	69	129
	614	**1,328**

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

	Year ended 30 June 2018 Nos.	Year ended 30 June 2017 Nos.
Directors	4	5
Administration	8	18
	12	**23**

9. Corporation tax

	Year ended 30 June 2018 £'000	Year ended 30 June 2017 £'000
Current tax	-	30
Total tax credit for the year	**-**	**30**
Loss before tax	(845)	(1,651)
Tax on loss on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	(161)	(330)
Expenses not deductible for tax purposes	4	1
Depreciation in excess of capital allowances	4	11
Tax losses carried forward	153	318
Current tax	-	-

Deferred tax:

As detailed in note 3 (v), in 2015 the Group reviewed the carrying value of the deferred tax asset recognised in previous years and decided that it would be prudent to derecognise the total asset in view of the uncertainty as to the timing of a return to profitability.

The aggregate amount of deductible temporary differences, parent company unused tax losses and unused tax credits for which no deferred tax asset is recognised in the Consolidated Statement of Financial Position is estimated at £5,863k (2017: £5,181k) which at the current tax rate would equate to £1,055k (2017: £1,036k).

10. Earnings per share

The calculation of earnings per share is based on the loss for the year attributable to equity holders of £845k (2017: £1,621k loss) and a weighted average number of shares in issue during the period of 130,254,867 (2017: 71,504,867). At the year end, options over 422,437 shares (2017: 557,437) were in issue but have not been taken into account in calculating diluted earnings per share as they are anti dilutive.

11. Property, plant and equipment

Group	**2018** **£'000**	**2017** **£'000**
Cost		
At 1 July	289	313
Additions	21	1
Disposals	-	(25)
At 30 June	**310**	**289**
Depreciation		
At 1 July	230	192
Charge for the year	43	60
Reversed on disposals	-	(22)
At 30 June	**273**	**230**
Net Book Value		
At 30 June 2018	**37**	**59**
At 30 June 2017	**59**	**121**

The Company held no property, plant and equipment at 30 June 2018 and 2017.

12. Intangible assets

Group	2018 £'000	2017 £'000
Intellectual Property		
Cost		
At 1 July and 30 June	**943**	**943**
Amortisation		
At 1 July	529	482
Charge for the year	47	47
Impairment	169	-
At 30 June	**745**	**529**
Net Book Value		
At 30 June 2018	**198**	**414**
At 30 June 2017	**414**	**461**

Intellectual Property represents the rights to the M2G product acquired from the inventors. As a result of an impairment review performed in accordance with IAS 36 'Impairment of Assets' as detailed in note 13, an impairment of £0.169m was identified relating to the intellectual property in the year.

The remaining amortisation period for Intellectual Property is 8 years. The Company held no intangible assets at 30 June 2018 and 2017.

13. Investment in subsidiaries

Company	2018 £'000	2017 £'000
Cost		
At 1 July	6,124	4,904
Additions	173	1,220
At 30 June	**6,297**	**6,124**
Impairment provision		
At 1 July	(2,523)	-
Charge for year	(3,774)	(2,523)
At 3 June	**(6,297)**	**(2,523)**
Net Book Value		
At 30 June 2018	**-**	**3,601**
At 30 June 2017	**3,601**	**4,904**

Details of the subsidiary undertakings at the year end date are as follows:

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

The Company performs an annual impairment review in accordance with IAS 36 'Impairment of Assets'. In accordance with IAS 36, the recoverable amount is calculated being the higher of value in use and fair value less costs to sell.

The value in use is determined using cash flow projections covering a ten year period which have been approved by the Board. They reflect the directors' expectations of the level and timing of revenue and expenses, working capital and operating cash flows based on past experience and future expectations of business performance.

The pre-tax discount rate of 9.6% (2017: 9.6%) applied to the cash flow projections is derived from the Group's weighted average cost of capital. An average growth rate of 8% (2017: 8%) (rental revenue growth rate 156%) (2017: 156%) has been applied over the ten years of the cash flow forecast. The consequence of the impairment review is that the investment should be fully impaired resulting in an impairment charge of £3.774m in the year.

14. Inventories

Group	**2018** **£'000**	**2017** **£'000**
Goods held for resale	79	133

The Company held no inventories at 30 June 2018 and 2017.

15. Trade and other receivables

	2018 **Group** **£'000**	**2017** **Group** **£'000**	**2018** **Company** **£'000**	**2017** **Company** **£'000**
Trade receivables	54	21	-	-
Other receivables	56	61	11	6
Amounts owed by group undertakings	-	-	187	63
	110	**82**	**198**	**69**

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

Amounts due from group undertakings includes a £250,000 loan facility advanced to Sabien Technology Limited. The loan facility is secured by way of a debenture over the assets of the Company. The loan is interest free and repayable on demand.

Trade receivables are considered impaired if they are not considered recoverable. As at 30 June 2018, the Group had no receivables which were considered to be impaired and against which a full provision has been made. Trade receivables of £nil (2017: £1k) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018 **£'000**	**2017** **£'000**
Up to 3 months	54	20
3 to 6 months	-	1
More than 6 months	-	-
	54	**21**

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

	2018 £'000	2017 £'000
Pounds sterling	110	66
Euros	-	16
	110	**82**

16. Cash and bank balances

	2018 Group £'000	2017 Group £'000	2018 Company £'000	2017 Company £'000
Cash and bank balances	9	26	8	14

17. Trade and other payables

	2018 Group £'000	2017 Group £'000	2018 Company £'000	2017 Company £'000
Trade payables	145	39	70	3
Social security and other taxation	34	17	(8)	(11)
Accruals and deferred income	109	100	30	30
Other payables	31	-	-	-
	319	**156**	**92**	**22**

During the year, Sabien Technology Limited entered into an invoice financing agreement. The loan is secured by way of a debenture over the assets of the Company, attracts interest at a variable rate and is repayable on demand.

18. Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
190,254,867 Ordinary shares of 0.5p each (2017: 110,254,867 Ordinary shares of 0.5p)	951	551
44,004,867 Deferred shares of 4.5p each (2017: 44,004,867 Deferred shares of 4.5p each)	1,980	1,980
Total	**2,931**	**2,531**

The Deferred shares have no right to receive notice of attendance or vote at any general meetings of the company and no right to receive any dividend or other distribution.

On 29 March 2018, the Company raised £400k (gross) by the issue of 80,000,000 Ordinary shares of 0.5p each at a price of 0.5p per share. Net proceeds after expenses amounted to £379k.

Share options (see note 20)

At the year end date, the following options had been granted:

Date of Grant	At 1 July 2017 and 30 June 2018	Exercise price	Exercisable from	Exercisable to
1 April 2010	295,694	54.5p	April 2013	April 2020
25 November 2010	91,743	54.5p	November 2013	November 2020
31 October 2014	35,000	54.5p	October 2017	October 2024
Total	**422,437**			

135,000 share options were cancelled or lapsed in the year under review.

19. Operating lease commitments

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

Group	**Land & buildings**	
	2018	**2017**
	£'000	**£'000**
Expiry date:		
Within one year	15	60
Between two and five years	-	30
	15	**90**

The Company had no commitments under non-cancellable operating leases at 30 June 2018 and 2017.

20. 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 0.5p 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 18 for details of options in issue at the year end date. There are no performance conditions attached to these options. No options were granted in the financial year.

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:

	2018	**2017**
Share price at date of grant	-	-
Exercise price at date of grant	54.5p	54.5p
Weighted average fair value	-	-
Volatility	30%	30%
Expected life	3 years	3 years
Risk free interest rate	4.75%	4.75%

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 £1k (2017: £1k) arising from the share based payments noted above in profit and loss for the year ended 30 June 2018 and this has been credited to Other Reserves in the Consolidated and Company Statements of Financial Position.

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

	Number 2018	**Weighted average exercise price 2018**	**Number 2017**	**Weighted average exercise price 2017**
Balance at beginning of the financial year	557,437	53.70	2,145,667	52.98
Granted during the year	-	-	-	-
Cancelled during the year	(135,000)	-	(1,588,230)	-
Balance at end of the financial year	422,437	54.0	557,437	53.70
Weighted average remaining contractual life	2.03 years	-	2.7 years	-

21. Related party transactions

Key management personnel 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 personnel are the Directors of Sabien Technology Group Plc. Information regarding their remuneration is given in the Remuneration Report. The Company has entered into service agreements with Karl Monaghan, Dr Martin Blake and Bruce Gordon 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, Sabien Technology Limited was charged £59k (2017: £83k) by way of management charges by Sabien Technology Group Plc, its parent company. Sabien Technology Limited repaid £115k (2017: £99k) during the year in respect of working capital loans and at the year end the amount outstanding, excluding a provision of £74k charged in the year, was £260k (2017: £63k).