

Company No.: 05568060

**Sabien Technology Group Plc**  
Annual Report and Consolidated Financial Statements  
For the year ended 30 June 2019



## **Company Information**

|   |   |
|---|---|
| <b>DIRECTORS</b>                          | Richard Parris (Non-executive Chairman)<br>Charles Goodfellow<br>Alan O'Brien<br>Cédriane de Boucaud Truell<br>Marco Nijhof |
| <b>SECRETARY</b>                          | Edward Sutcliffe  |
| <b>COMPANY NUMBER</b>                     | 05568060  |
| <b>REGISTERED OFFICE</b>                  | S4B (UK) Limited<br>Burlington House<br>1-13 York Road<br>Maidenhead<br>Berkshire<br>SL6 1SQ                                |
| <b>WEBSITE</b>                            | <a href="http://www.sabien-tech.co.uk">www.sabien-tech.co.uk</a>  |
| <b>AUDITORS</b>                           | Moore Kingston Smith LLP<br>Devonshire House<br>60 Goswell Road<br>London<br>EC1M 7AD                                       |
| <b>BANKERS</b>                            | National Westminster Bank Plc<br>72-74 High Street<br>Watford<br>Herts WD17 2GZ   |
| <b>NOMINATED ADVISER AND JOINT BROKER</b> | Beaumont Cornish Limited<br>10th Floor<br>30 Crown Place<br>London<br>EC2A 4EB  |
| <b>JOINT BROKER</b>                       | Peterhouse Capital Limited<br>3rd Floor<br>80 Cheapside<br>London<br>EC2V 6EE   |
| <b>REGISTRARS</b>                         | Share Registrars Limited<br>The Courtyard<br>17 West Street<br>Farnham<br>Surrey<br>GU9 7DR                                 |
| <b>SOLICITORS</b>                         | Moore Blatch LLP<br>11 The Avenue<br>Southampton<br>Hants<br>SO17 1XF   |

# Contents

|   |           |
|---|-----------|
| <b>Chairman &amp; Chief Executive Officer's Report</b>                            | <b>3</b>  |
| <b>Strategic Report</b>   | <b>5</b>  |
| <b>Directors' Report</b>  | <b>10</b> |
| <b>Corporate Governance</b>   | <b>12</b> |
| <b>Remuneration Report</b>  | <b>19</b> |
| <b>Directors' Responsibilities Statement</b>                                      | <b>21</b> |
| <b>Independent Auditors' Report to the Members of Sabien Technology Group Plc</b> | <b>22</b> |
| <b>Consolidated Statement of Comprehensive Income</b>                             | <b>28</b> |
| <b>Consolidated and Company Statements of Financial Position</b>                  | <b>29</b> |
| <b>Consolidated and Company Cash Flow Statements</b>                              | <b>30</b> |
| <b>Consolidated Statement of Changes in Equity</b>                                | <b>31</b> |
| <b>Company Statement of Changes in Equity</b>                                     | <b>32</b> |
| <b>Notes to the Consolidated Financial Statements</b>                             | <b>33</b> |

# 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 2019.

## Sabien Technology Group highlights 2019

- Sales for the year £1.38m (2018: £0.59m)
- Profit before tax £0.18m (2018: £0.85m loss)
- Sales from Alliance Partners £0.36m (2018: £0.034m)
- Overseas sales £0.131m (2018: £0.181m)
- Fund raises of £0.70m (gross) to provide working capital
- Net cash balance at 30 June 2019 was £0.74m (2018: £0.009m)

## Highlights since the year end

- Fund raise of £0.33m (gross)
- Sales of £0.06m to 24 September 2019
- Orders received but not yet invoiced to 24 September 2019 £0.04m
- Net cash balance at 24 September 2019 of £0.95m.

## Financial results

Revenue in the year was £1.38m (2018: £0.59m). The profit before taxation was £0.18m (2018: £0.85m loss).

At 30 June 2019, cash and cash deposits amounted to £0.74m (2018: £0.009m).

## Dividend policy

The directors propose no dividends (2018: nil) in the year.

## **Chairman's Statement**

As announced on 3 September 2019 following the period end, I was delighted to have been appointed Non-executive Chairman of the Company. As I stated at the time, with the UK committing to a carbon neutral economy by 2050, I believe that there is an opportunity to create a next-generation technology platform, pivoted around Sabien's core technology, that can exploit global energy efficiency markets, especially in the US.

At the same time as my appointment, the Company also announced the subscription of £326k from the Truell Intergenerational Family Limited Partnership ("TIG"), which has put the Company in a strong position for the next phase of growth. I will be undertaking a thorough review of the Company's capabilities over the coming weeks and working with Management and the Board to determine the best strategy to increase shareholder value. This may or may not lead to future acquisitions.

Since my appointment the Board has also welcomed two new Non-executive Directors - Cédriane de Boucaud Truell and Marco Nijhof. I consider that the appointments of Cédriane and Marco are key to the next stage of Sabien's development as a public company. They both bring significant operational, commercial and corporate finance expertise to the Sabien Board and their assistance and support are important to the Company's future prospects.

We are looking forward to building on the Company's success during the financial year ended 30 June 2019 ("Period"), achieved through a combination of the reduced cost base implemented during the prior year, and the receipt of a significant sales order in April from a major government department worth £755k in the year (total contract £846k) for the deployment of Sabien's M2G Boiler Optimisation Technology across parts of its estate. Sabien's overseas distribution network and sales to local councils also contributed to the Company's much improved financial performance in the Period.

Sabien continues to work diligently to bring the near-term pipeline into reported revenue and, with the support of our strategic investor TIG, we look forward to updating shareholders in due course on our development in the year ahead.



**Richard Parris**  
**Non-Executive Chairman**

# STRATEGIC REPORT

For the year ended 30 June 2019

## 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.

The Company has introduced a Rental model option with a goal of making the piloting and financing of M2G projects easier and risk free for its clients. In addition, a Forensic Boiler Audit (FBA) service has been implemented as an additional service line for the Company. Both the Rental model and FBA have attracted interest but so far uptake has been slower than hoped.

The FBA remains a good proposition for the future but the team has been forced to focus on its M2G contracts in the year. The rental model is offered to all sales prospects but the Company has been successful in achieving capital sales instead during the year which have supported working capital.

### 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.

### **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 10.

## **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 achieved a significant improvement in sales in the year £1.38m (2018: £0.59m). Whilst there has been no change in Sabien's robust sales process, given the unpredictable nature of the sales pipeline, the Group has moved away from considering sales pipeline conversion as a key metric and instead monitors sales achieved.

Alliance partners contributed £0.36m of sales representing 26.1% 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.

- **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 9.5% of total sales at £0.131m (2018 - £0.18m). 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](http://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 sales, 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 Company sold 823 units (2018: 385 units) and the gross profit margin was 85.5% (2018: 82.6%). The margin has increased predominantly due to reduced reliance on subcontractors for installations and introduction of high margin revenue streams such as the M2G rental option. In addition, overheads have continued to reduce from last year.

**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.

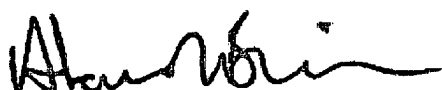
**Personnel:** In the short-term the Group is not looking to recruit.

#### **4. Strategy**

Subject to a near term review of the Company's market and capabilities, the Company intends to invest for growth in the following areas:

- Utilise its existing research and development pipeline to make existing hardware (M2G, M1G) Internet-of-Things ("IoT") capable and enable substantial data capturing, storage, and analysis for the Sabien technologies.
- Migrate new product design into the IoT and Cloud-enabled subscription services with the potential to assess third party licensing.
- Enter the key US market through Original Equipment Manufacturer (OEM) relationships.
- 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 26 September 2019 and signed on its behalf by:



**Alan O'Brien**  
Chief Executive Officer  
26 September 2019

# Directors' Report

For the year ended 30 June 2019

The directors present their report and the consolidated financial statements for the year ended 30 June 2019. 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.

During the Period the Audit Committee was chaired by Charles Goodfellow and the Remuneration Committee was chaired by John Taylor. Following the Period end, Richard Parris was appointed Chairman of the Remuneration Committee. The Board remains confident in the work of those committees and the overall system of governance.

## Results and Dividends

The Group profit for the year, before taxation, amounted to £182k (2018: £845k loss). The Directors do not recommend a final dividend this year (2018 – nil).

## Directors

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

|   | Date of appointment | New ordinary shares of 0.01p each |     | Ordinary shares of 0.5p each |      |
|---|---------------------|-----------------------------------|-----|------------------------------|------|
|   |                     | 2019                              | %   | 2018                         | %    |
| A. O'Brien                              | 25 October 2005     | 11,700,000                        | 1.3 | 11,700,000                   | 6.1  |
| J. Taylor (resigned 2 September 2019)   | 13 December 2018    | 5,000,000                         | 0.6 | -                            | -    |
| C. Goodfellow                           | 17 January 2019     | -                                 | -   | -                            | -    |
| M. Blake (resigned 16 January 2019)     | 15 October 2010     | -                                 | -   | -                            | -    |
| K. Monaghan (resigned 21 December 2018) | 1 September 2007    | 2,522,495                         | 0.3 | 2,522,495                    | 1.3  |
| B. Gordon (resigned 13 December 2018)   | 30 September 2016   | 44,768,479                        | 5.0 | 44,768,479                   | 23.5 |

C. Goodfellow and M. Blake do 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 0.5% of the issued share capital. He is therefore interested, directly and indirectly, in 48,876,835 Ordinary shares, representing 5.5% of the issued share capital.

### **Substantial Shareholdings**

At 23 September 2019, the Company had been notified that (other than Directors) the following were interested in 3% or more of the issued capital of the Company:

|   | <b>Number of New Ordinary<br/>shares</b> | <b>% of issued share<br/>capital</b> |
|---|--|--------------------------------------|
| Hawk Investment Holdings Limited                                    | 211,894,000                              | 17.85%                               |
| Truell Intergenerational Family Limited<br>Partnership Incorporated | 296,751,623                              | 25.00%                               |

At 30 June 2019, there were 890,254,867 Ordinary shares in issue. Following the Period end, on 3 September 2019 the Company announced the issue of 296,751,623 new ordinary shares on completion of which on 10 September 2019, the enlarged issued share capital of the Company comprised 1,187,006,490 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.

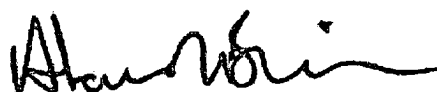
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditors, Moore 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 26 September 2019 and signed on its behalf by:



**Richard Parris**  
Non-Executive Chairman  
26 September 2019



**Alan O'Brien**  
Chief Executive Officer  
26 September 2019

# 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*

Subject to a near term review of the Company's market and capabilities, the Company intends to invest for growth in the following areas:

- Utilise its existing research and development pipeline to make existing hardware (M2G, M1G) Internet-of-Things ("IoT") capable and enable substantial data capturing, storage, and analysis for the Sabien technologies.
- Migrate new product design into the IoT and Cloud-enabled subscription services with the potential to assess third party licensing.
- Enter the key US market through Original Equipment Manufacturer (OEM) relationships.
- 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 through its website, [www.sabien-tech.co.uk](http://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.

| <b>Activity</b>   | <b>Risk</b>  | <b>Impact</b>   | <b>Control(s)</b>  |
|-------------------|--|---|--|
| <b>Management</b> | Recruitment and retention of key staff                               | Reduction in operating capability   | Stimulating and safe working environment<br><br>Balancing salary with longer term incentive plans                              |
|                   | 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 |
| <b>Strategic</b>  | 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<br>Lack of recurring revenue | Loss of key operational and financial data<br>Over-reliance on capital sales which can be unpredictable | Robust compliance<br>Secure off-site storage of data<br><br>Development of rental model and Forensic Boiler Audit Service      |
| <b>Financial</b>  | 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<br><br>Incorrect reporting of assets  | Appropriate authority and investment levels as set by Treasury and Investment Policies<br><br>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, Richard Parris; the Chief Executive Officer, Alan O'Brien; and the Non-Executive Directors, Charles Goodfellow, Cédriane de Boucaud Truell, and Marco Nijhof. In addition, the Interim Finance Director, Edward Sutcliffe (non-statutory Director) 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 Director 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. Richard Parris and Charles Goodfellow are considered to be Independent Directors by the Board. 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.

|                    | <b>Board</b> |                    | <b>Remuneration</b> |                    | <b>Audit</b> |                    |
|--------------------|--------------|--------------------|---------------------|--------------------|--------------|--------------------|
|                    | Attended     | Eligible to attend | Attended            | Eligible to attend | Attended     | Eligible to attend |
| Bruce Gordon       | 11           | 12                 | 0                   | 0                  | 1            | 1                  |
| Alan O'Brien       | 19           | 19                 | 0                   | 0                  | 2            | 2                  |
| Dr Martin Blake    | 0            | 5                  | 0                   | 0                  | 1            | 1                  |
| Karl Monaghan      | 6            | 6                  | 0                   | 0                  | 1            | 1                  |
| John Taylor        | 7            | 7                  | 0                   | 0                  | 1            | 1                  |
| Charles Goodfellow | 7            | 7                  | 0                   | 0                  | 1            | 1                  |

### **Principle Six**

#### *Appropriate Skills and Experience of the Directors*

The Board currently consists of five Directors and, in addition, the Group has employed the services of Edward Sutcliffe to act as the Company Secretary and Interim Finance Director (non-statutory). 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.

#### **Richard Parris**

Chairman

Richard was until 2018 the Chairman and Chief Executive of Intercede, an AIM-traded technology company, which he founded in 1992 and which was admitted to trading on AIM in 2001. Richard is an engineer by training and an entrepreneur by experience, he operationally led Intercede through all phases of its growth, including building its UK technology team to invent, develop and commercialise new software products, including the adoption of Cloud services and IoT delivery models as the core of future business transformation, and securing contracts with major US OEMs to expand US sales.

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

#### **Charles Goodfellow**

Non-executive

Charles is a corporate broker with over 25 years' experience of fund raising for small and mid-caps and private companies across a range of sectors and jurisdictions. In addition, he was previously a director of Acorn Growth plc (re-named Vodere plc).

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



Cédriane de Boucaud Truell  
Non-executive

Cédriane is a founder and senior partner of Disruptive Capital. She holds an MA in Economics and a BA in Economics & Political Science, both from Cornell University (USA) and worked subsequently until 1999 as a restructuring and turnaround specialist with PriceWaterhouse in New York and Moscow. Cédriane then worked with a portfolio of early-stage tech companies with a venture capital firm, before raising a technology fund and spinning it out to what became Disruptive Capital Finance in 2009.

**Marco Nijhof**  
*Non-executive*

Marco has been a senior executive within the international five-star luxury retail, hotel and hospitality industry, including Jumeirah Hotels in Dubai, Hyatt Hotels & Resorts, Marriott and The Bicester Village Shopping Collection.

**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.

**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*

Between January 2019 and September 2019, the Audit Committee was chaired by Charles Goodfellow and supported by John Taylor. Since the start of September 2019, the Audit Committee was chaired by Charles Goodfellow and supported by Richard Parris. 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*

Between January 2019 and September 2019, the Remuneration Committee was chaired by John Taylor and supported by Charles Goodfellow. Since the start of September 2019, the Audit Committee was chaired by Richard Parris and supported by Charles Goodfellow. 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 between one and 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](http://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 7 to the accounts. The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of executive directors. In doing so, the Committee's aims are:

- To determine the policy for the remuneration of the executive directors;
- To review the 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:

|               |                           |
|---------------|---------------------------|
| A. O'Brien    | Notice period<br>6 months |
| C. Goodfellow | 1 month                   |
| R Parris      | 3 months                  |

## Directors' remuneration during the period (audited)

|                                | Salaries<br>and fees<br>£'000 | Taxable<br>benefits<br>£'000 | Total<br>2019<br>£'000 | Total<br>2018<br>£'000 |
|--------------------------------|-------------------------------|------------------------------|------------------------|------------------------|
| <b>Executive directors</b>     |                               |                              |                        |                        |
| A. O'Brien                     | 136                           | 2                            | 138                    | 138                    |
| <b>Non-executive directors</b> |                               |                              |                        |                        |
| K. Monaghan                    | -                             | -                            | -                      | 8                      |
| M. Blake                       | -                             | -                            | -                      | 10                     |
| B. Gordon                      | -                             | -                            | -                      | 20                     |
| C. Goodfellow                  | 13                            | -                            | 13                     | -                      |
| J. Taylor                      | 11                            | -                            | 11                     | -                      |
| <b>Total</b>                   | <b>160</b>                    | <b>2</b>                     | <b>162</b>             | <b>176</b>             |

Fees paid to K. Monaghan, M. Blake, B. Gordon, C. Goodfellow and J. Taylor were paid to Ashling Capital LLP, Blake Advisory Pte. Ltd, Thames Valley Capital Limited, Woodlands Lery Ltd and Ugly Panda LLP respectively. During the year M. Blake and B. Gordon waived accrued fees of £10k and £20k respectively and K. Monaghan, M. Blake and B. Gordon waived fees due in the year of £16.7k, £14.5k, and £20k 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:

|              | <b>Date of Grant</b> | <b>1 July 2018</b> | <b>30 June 2019</b> | <b>Exercise price</b> | <b>Date from which exercisable</b> | <b>Expiry Date</b> |
|--------------|----------------------|--------------------|---------------------|-----------------------|------------------------------------|--------------------|
| A. O'Brien   | 01/04/10             | 74,483             | 74,483              | 54.5p                 | 01/04/13                           | 01/04/20           |
| K. Monaghan  | 01/04/10             | 14,323             | -                   | 54.5p                 | 01/04/13                           | 01/04/20           |
| M. Blake     | 25/11/10             | 91,743             | -                   | 54.5p                 | 25/11/13                           | 25/11/20           |
| <b>Total</b> |                      | <b>180,549</b>     | <b>74,483</b>       |                       |                                    |                    |

106,066 share options were cancelled or lapsed in the year under review.

The mid-market price of the Company's shares at the end of the financial year was 0.097p.



**Richard Parris**  
Chairman of the Remuneration Committee  
26 September 2019

## **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 2019 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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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.

## **Audit Area and Description**

### ***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 decline in revenue over the past four years, despite the significant contract win in the year, and the previous pre taxation losses potentially indicated an impairment to the carrying value of the intangible asset.

### ***Carrying value of investment in subsidiaries***

The cost of investment in subsidiaries in the Company Statement of Financial Position is £6.297m at the year end which has been fully impaired.

### ***Going concern***

The prior year Auditor's Report included a material uncertainty relating to going concern paragraph. Despite the return to profitability in the year, we consider going concern a key audit area given the cashflow issues in prior years and limited visibility on future cashflow receipts.

## **Audit approach**

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 no impairment was required by reference to trading performance and forecasts.
- We considered the appropriateness of the amortisation policy for intellectual property.

In order to satisfy ourselves that the carrying value of the investment in subsidiaries was appropriate:

- We reviewed the assumptions underpinning the Directors' IAS36 valuation of the investment in subsidiaries.
- We assessed the Directors' assertion that the cost remains fully impaired by reference to trading performance and forecasts.

In order to satisfy ourselves that the going concern basis is appropriate:

- We reviewed the client's cashflow forecasts to 1 January 2021 and assessed the underlying assumptions.
- We assessed the Directors' assertion that the Group and Company is a going concern by reference to post year end trading and cashflows and ability to raise further funds if required.



### **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 £23,000, 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 50% of materiality, namely £11,500.

We agreed to report to the Audit Committee all audit differences in excess of £1,150, 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 20, 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.

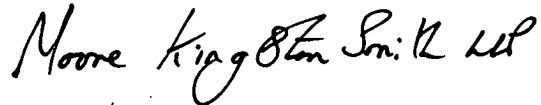
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Handwritten signature in black ink that reads "Moore Kingston Smith LLP".

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

26 September 2019  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

# Consolidated Statement of Comprehensive Income

For the year ended 30 June 2019

|  | Notes | 2019<br>£'000 | 2018<br>£'000 |
|--|-------|---------------|---------------|
| <b>Revenue</b>   |       | <b>1,379</b>  | <b>588</b>    |
| Cost of sales  |       | (200)         | (102)         |
| <b>Gross profit</b>  |       | <b>1,179</b>  | <b>486</b>    |
| Administrative expenses  |       | (996)         | (1,331)       |
| <b>Operating profit/(loss)</b>   | 5     | <b>183</b>    | <b>(845)</b>  |
| Finance expenses   |       | (1)           | -             |
| <b>Profit/(loss) before tax</b>  |       | <b>182</b>    | <b>(845)</b>  |
| Tax credit   | 8     | -             | -             |
| <b>Profit/(loss) for the year attributable to equity holders of the parent company</b> |       | <b>182</b>    | <b>(845)</b>  |
| Other comprehensive income   |       | -             | -             |
| <b>Total comprehensive income for the year</b>   |       | <b>182</b>    | <b>(845)</b>  |
| Earnings/(loss) per share in pence – basic   | 9     | 0.04          | (0.65)        |
| Earnings/(loss) per share in pence – diluted   | 9     | 0.04          | (0.65)        |

The earnings per share calculation relates to both continuing and total operations.  
The notes on pages 33 to 52 form part of these financial statements.

# Consolidated and Company Statements of Financial Position

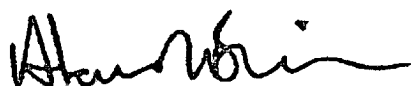
As at 30 June 2019

Company Reg No: 05568060

|   | Notes | Group         |               | Company       |               |
|---|-------|---------------|---------------|---------------|---------------|
|   |       | 2019<br>£'000 | 2018<br>£'000 | 2019<br>£'000 | 2018<br>£'000 |
| <b>ASSETS</b>                                       |       |               |               |               |               |
| <b>Non-current assets</b>                           |       |               |               |               |               |
| Property, plant and equipment                       | 10    | 20            | 37            | -             | -             |
| Intangible assets                                   | 11    | 151           | 198           | -             | -             |
| Investment in subsidiaries                          | 12    | -             | -             | -             | -             |
| <b>Total non-current assets</b>                     |       | <b>171</b>    | <b>235</b>    | <b>-</b>      | <b>-</b>      |
| <b>Current assets</b>                               |       |               |               |               |               |
| Inventories   | 13    | 55            | 79            | -             | -             |
| Trade and other receivables                         | 14    | 117           | 110           | 54            | 198           |
| Cash and bank balances                              | 15    | 738           | 9             | 717           | 8             |
| <b>Total current assets</b>                         |       | <b>910</b>    | <b>198</b>    | <b>771</b>    | <b>206</b>    |
| <b>TOTAL ASSETS</b>                                 |       | <b>1,081</b>  | <b>433</b>    | <b>771</b>    | <b>206</b>    |
| <b>EQUITY AND LIABILITIES</b>                       |       |               |               |               |               |
| <b>Current liabilities</b>                          |       |               |               |               |               |
| Trade and other payables                            | 16    | 136           | 319           | 27            | 92            |
| <b>Total current liabilities</b>                    |       | <b>136</b>    | <b>319</b>    | <b>27</b>     | <b>92</b>     |
| <b>EQUITY</b>                                       |       |               |               |               |               |
| Equity attributable to equity holders of the parent |       |               |               |               |               |
| Share capital                                       | 17    | 3,001         | 2,931         | 3,001         | 2,931         |
| Other reserves                                      |       | 1,601         | 1,026         | 1,601         | 1,026         |
| Retained earnings                                   |       | (3,657)       | (3,843)       | (3,858)       | (3,843)       |
| <b>Total equity</b>                                 |       | <b>945</b>    | <b>114</b>    | <b>744</b>    | <b>114</b>    |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |       | <b>1,081</b>  | <b>433</b>    | <b>771</b>    | <b>206</b>    |

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 £19k (2018: £3,949k loss). There is no other comprehensive income in the Parent Company.

The financial statements were approved and authorised for issue by the Board on 26 September 2019 and were signed on its behalf by:



**Alan O'Brien**  
Chief Executive Officer  
26 September 2019

The notes on pages 33 to 52 form part of these financial statements.

# Consolidated and Company Cash Flow Statements

For the year ended 30 June 2019

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2019<br>£'000 | 2018<br>£'000 | 2019<br>£'000 | 2018<br>£'000 |
| <b>Cash flows from operating activities</b>                   |               |               |               |               |
| Profit/(loss) before taxation                                 | 182           | (845)         | (19)          | (3,949)       |
| Adjustments for:  |               |               |               |               |
| Depreciation and amortisation                                 | 68            | 90            | -             | -             |
| Impairment of intangibles                                     | -             | 169           | -             | -             |
| Impairment of investment in subsidiary                        | -             | -             | -             | 3,774         |
| Transfers to equity reserves                                  | -             | 1             | -             | 1             |
| Finance expense   | 1             | -             | -             | -             |
| (Increase) / Decrease in trade and other receivables          | (7)           | (28)          | 144           | (130)         |
| Decrease in inventories                                       | 24            | 54            | -             | -             |
| (Decrease) / Increase in trade and other payables             | (153)         | 133           | (65)          | 71            |
| <b>Cash generated from / (used in) operations</b>             | <b>115</b>    | <b>(426)</b>  | <b>60</b>     | <b>(233)</b>  |
| Corporation taxes recovered                                   | -             | -             | -             | -             |
| <b>Net cash inflow / (outflow) from operating activities</b>  | <b>115</b>    | <b>(426)</b>  | <b>60</b>     | <b>(233)</b>  |
| <b>Cash flows from investing activities</b>                   |               |               |               |               |
| Net proceeds from share issues                                | 649           | 400           | 649           | 400           |
| Investment in subsidiary                                      | -             | -             | -             | (173)         |
| Purchase of property, plant and equipment                     | (4)           | (21)          | -             | -             |
| Proceeds on disposal of property plant and equipment          | -             | -             | -             | -             |
| Finance costs   | (1)           | -             | -             | -             |
| <b>Net cash generated by investing activities</b>             | <b>644</b>    | <b>379</b>    | <b>649</b>    | <b>227</b>    |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>759</b>    | <b>(47)</b>   | <b>709</b>    | <b>(6)</b>    |
| <b>Cash and cash equivalents at the beginning of the year</b> | <b>(21)</b>   | <b>26</b>     | <b>8</b>      | <b>14</b>     |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>738</b>    | <b>(21)</b>   | <b>717</b>    | <b>8</b>      |
| Cash and cash equivalents comprise:                           |               |               |               |               |
| Cash and cash equivalents                                     | 738           | 9             | 717           | 8             |
| Invoice financing (included in other payables)                | -             | (30)          | -             | -             |
|   | <b>738</b>    | <b>(21)</b>   | <b>717</b>    | <b>8</b>      |

The prior year impairment of the carrying value of the investment in subsidiary, as detailed in note 12, is a significant non-cash transaction.

The notes on pages 33 to 52 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

|   | Share capital | Share premium | Share based payment reserve | Retained earnings | Total equity |
|---|---------------|---------------|-----------------------------|-------------------|--------------|
|   | £'000         | £'000         | £'000                       | £'000             | £'000        |
| <b>Balance at 1 July 2017</b>                             | 2,531         | 981           | 99                          | (3,053)           | 558          |
| <b>Changes in equity for year</b>                         |               |               |                             |                   |              |
| 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                | -            |
| <b>Balance at 30 June 2018</b>                            | <b>2,931</b>  | <b>981</b>    | <b>45</b>                   | <b>(3,843)</b>    | <b>114</b>   |
| <b>Changes in equity for year</b>                         |               |               |                             |                   |              |
| Profit for the year                                       | -             | -             | -                           | 182               | 182          |
| Share issues  | 70            | 630           | -                           | -                 | 700          |
| Share issue costs   | -             | (51)          | -                           | -                 | (51)         |
| Transfer to retained earnings re lapsed options           | -             | -             | (4)                         | 4                 | -            |
| <b>Balance at 30 June 2019</b>                            | <b>3,001</b>  | <b>1,560</b>  | <b>41</b>                   | <b>(3,657)</b>    | <b>945</b>   |

The notes on pages 33 to 52 form part of these financial statements.



## Company Statement of Changes in Equity

For the year ended 30 June 2019

|   | Share capital | Share premium | Share based payment reserve | Retained earnings | Total equity |
|---|---------------|---------------|-----------------------------|-------------------|--------------|
|   | £'000         | £'000         | £'000                       | £'000             | £'000        |
| <b>Balance at 1 July 2017</b>                             | 2,531         | 981           | 99                          | 51                | 3,662        |
| <b>Changes in equity for year</b>                         |               |               |                             |                   |              |
| 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                | -            |
| <b>Balance at 30 June 2018</b>                            | <b>2,931</b>  | <b>981</b>    | <b>45</b>                   | <b>(3,843)</b>    | <b>114</b>   |
| <b>Changes in equity for year</b>                         |               |               |                             |                   |              |
| Loss for the year   | -             | -             | -                           | (19)              | (19)         |
| Share issue   | 70            | 630           | -                           | -                 | 700          |
| Share issue costs   | -             | (51)          | -                           | -                 | (51)         |
| Transfer to retained earnings re lapsed options           | -             | -             | (4)                         | 4                 | -            |
| <b>Balance at 30 June 2019</b>                            | <b>3,001</b>  | <b>1,560</b>  | <b>41</b>                   | <b>(3,858)</b>    | <b>744</b>   |

The notes on pages 33 to 52 form part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2019

## 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. 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 uncertainty as to the timing of future profitability, the Group's return to profitability indicates that 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 M2G unit sales which showed a significant increase in the year to 823 units (2018: 385). Based on a prudent level of sales in line with the 2018 financial year therefore not relying on another major contract, and after taking into account the capital raise in September 2019 of £326k (gross), 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:*

IFRS 9 Financial Instruments took effect from 1 July 2018 and has been adopted for the year ended 30 June 2019 using the full retrospective method. The Group has reassessed the classification and measurement of financial instruments and this has not given rise to any changes except that financial assets previously classified as "loans and receivables" under IAS 39 are now presented as "financial assets at amortised cost" in the financial statements.

The Group classifies its financial assets as financial assets at amortised cost 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.

Financial assets amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Trade receivables are classified as financial assets at amortised cost 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.

A loss allowance is recognised on initial recognition of financial assets held at amortised cost, based on expected credit losses, and is re-measured annually with changes appearing in profit or loss. Where there has been a significant increase in credit risk of the financial instrument since initial recognition, the loss allowance is measured based on lifetime expected losses. In all other cases, the loss allowance is measured based on 12-month expected losses. For assets with a maturity of 12 months or less, including trade receivables, the 12-month expected loss allowance is equal to the lifetime expected loss allowance.

Short term financial assets are measured at transaction price, less any impairment. Loans receivable are measured at transaction price net of transaction costs and measured subsequently at amortised cost using the effective interest method, less any impairment.

The Group's financial assets are disclosed in notes 13 and 14. Impairment testing of trade receivables is described in note 14.

*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 16.

- 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 is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

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. However, in this latter case, where the Group is responsible for the project management of the installations, revenue is recognised upon installation at the customer site. 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) Adoption of new and revised standards**

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

New standards impacting the Company that have been adopted in the annual financial statements for the year ended 30 June 2019, and which have given rise to changes in the Group's accounting policies are:

IFRS 9 Financial Instruments (IFRS 9); and  
IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 9 took effect from 1 July 2018 and has been adopted for the year ended 30 June 2019 using the full retrospective method. No new credit losses are expected to materialise as a result of this transition. The adoption of IFRS 9 has not given rise to any changes to financial statements.

IFRS 15 replaced IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively. Management has reviewed its revenue recognition policies prior to adoption of the new Standard and have concluded previous policies fall in line with IFRS 15. As such there has been no impact on the financial statements and the prior period has not been restated.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

**p) New and revised standards not yet effective**

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 Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early.

- 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'

IFRS 16 is a significant change to lease 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 Group is unlikely to enter into any significant operating lease agreements in the near future and is not subject to any agreements on the date of these financial statements, as such, there will be no

effect on the financial statements as a result of this standard.

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<br>year<br>£'000 | Between 1<br>and 2 years<br>£'000 | Between 2<br>and 5 years<br>£'000 | Over 5<br>years<br>£'000 |
|-----------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------|
| At 30 June 2019             |                              |                                   |                                   |                          |
| Trade and other<br>payables | 136                          | -                                 | -                                 | -                        |
| At 30 June 2018             |                              |                                   |                                   |                          |
| Trade and other<br>payables | 319                          | -                                 | -                                 | -                        |

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 increase in the average interest rate during the year would have resulted in a decrease in post-tax profit for the year of £1k (2018: £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 2019 Euro and US dollar exchange rates would have decreased the Group's profit after tax by less than £1k (2018: £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 M2G unit sales which showed a significant increase in the year to 823 units (2018: 385).

Following the increase in sales revenue the Group generated a profit for the year of £182k and at the year end had cash reserves of £738k. Despite the improved financial performance of the Group, there remains uncertainty of future profitability. The directors are taking steps to address this uncertainty and which they expect will ultimately maintain the Group's 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 is putting in place a new strategy to make the existing hardware internet of things (IoT) compatible, develop IoT and Cloud based subscription services, and develop the US market.

The Group announced that its broker, Peterhouse Capital Limited, had raised gross proceeds of £400k on 14 December 2018 and £300k on 13 May 2019 via the placing of 700,000,000 new ordinary shares with new and existing investors, at a price of 0.1 pence per placing share. On 3 September 2019 the Group announced a subscription of 296,751,623 new ordinary shares at a price of 0.11 pence per subscription share raising £326k (gross).

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

Based on their best estimate of likely future developments within the business, the directors consider that the impairment provision against the carrying value of Investment in Subsidiaries in the Company's Statement of Financial Position as at the year end date remains valid and reasonable, as detailed in note 12.

(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.

Despite the profit for the year which is primarily due to the conversion of one significant lead, and the likelihood of the Company not remaining profitable 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 £5.6m.

(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 10% of the total and are analysed as follows:

| Geographical information | Year ended 30 June 2019 |                    | Year ended 30 June 2018 |                    |
|--------------------------|-------------------------|--------------------|-------------------------|--------------------|
|                          | Sales revenue<br>£'000  | % of total revenue | Sales revenue<br>£'000  | % of total revenue |
| UK                       | 1,247                   | 90                 | 406                     | 69                 |
| Other                    | 132                     | 10                 | 182                     | 31                 |
| Total                    | <b>1,379</b>            | <b>100</b>         | <b>588</b>              | <b>100</b>         |

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

|            | Sales revenue<br>£'000 | % of total revenue |
|------------|------------------------|--------------------|
| Customer 1 | 755                    | 55                 |
| Customer 2 | 153                    | 11                 |

No other single customer represented more than 10% of the sales revenue for the year.

#### 5. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

|  | Year ended 30 June 2019<br>£'000 | Year ended 30 June 2018<br>£'000 |
|--|----------------------------------|----------------------------------|
| Depreciation of property, plant & equipment  | 21                               | 43                               |
| Impairment of intangible assets              | -                                | 169                              |
| Amortisation of intangible assets            | 47                               | 47                               |
| Operating lease rentals – land and buildings | -                                | 62                               |
| Cost of inventories recognised as an expense | 69                               | 54                               |

The impairment of intangible assets is further detailed in note 11 of the financial statements.

The amortisation and impairment (in the prior year) of intangible assets is included within administrative expenses.

## 6. Auditors' remuneration

|   | Year ended<br>30 June 2019<br>£'000 | Year ended 30<br>June 2018<br>£'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                                 | 18                                  | 15                                  |
| <b>Total audit fees</b>   | <b>28</b>                           | <b>25</b>                           |
| Fees payable to the Company's auditors for:                             |                                     |                                     |
| - taxation compliance services  | -                                   | -                                   |
| - other services  | 6                                   | 6                                   |
| <b>Total other fees</b>   | <b>6</b>                            | <b>6</b>                            |

## 7. Staff costs

|                       | Year ended<br>30 June 2019<br>£'000 | Year ended 30<br>June 2018<br>£'000 |
|-----------------------|-------------------------------------|-------------------------------------|
| Wages and salaries    | 525                                 | 545                                 |
| Social security costs | 63                                  | 69                                  |
|                       | <b>588</b>                          | <b>614</b>                          |

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

|                | Year ended<br>30 June 2019<br>Nos. | Year ended 30<br>June 2018<br>Nos. |
|----------------|------------------------------------|------------------------------------|
| Directors      | 3                                  | 4                                  |
| Administration | 7                                  | 8                                  |
|                | <b>10</b>                          | <b>12</b>                          |

Key management personnel are detailed in note 21 and their remuneration is analysed in the Remuneration Report.

## 8. Corporation tax

|  | Year ended 30<br>June 2019<br>£'000 | Year ended<br>30 June 2018<br>£'000 |
|--|-------------------------------------|-------------------------------------|
| Current tax  | -                                   | -                                   |
| <b>Total tax credit for the year</b>   | <b>-</b>                            | <b>-</b>                            |
| Profit/(loss) before tax   | 182                                 | (845)                               |
| Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2018: 19%) | 35                                  | (161)                               |
| Expenses not deductible for tax purposes   | 4                                   | 4                                   |
| Depreciation in excess of capital allowances   | 4                                   | 4                                   |
| Utilised tax losses  | (43)                                | -                                   |
| Tax losses carried forward   | -                                   | 153                                 |
| 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 £5.6m (2018: £5.9m) which at the current tax rate would equate to £1.06m (2018: £1.1m).

## 9. Earnings per share

The calculation of earnings per share is based on the profit for the year attributable to equity holders of £182k (2018: £845k loss) and a weighted average number of shares in issue during the period of 473,588,200 (2018: 130,254,867). At the year end, options over 316,371 shares (2018: 422,437) were in issue, but have not been taken into account in calculating diluted earnings per share as they are anti-dilutive.

## 10. Property, plant and equipment

| <b>Group</b>           | <b>2019</b>  | <b>2018</b>  |
|------------------------|--------------|--------------|
|                        | <b>£'000</b> | <b>£'000</b> |
| <b>Cost</b>            |              |              |
| At 1 July              | 310          | 289          |
| Additions              | 4            | 21           |
| Disposals              | (166)        | -            |
| At 30 June             | 148          | 310          |
| <b>Depreciation</b>    |              |              |
| At 1 July              | 273          | 230          |
| Charge for the year    | 21           | 43           |
| Reversed on disposals  | (166)        | -            |
| At 30 June             | 128          | 273          |
| <b>Net Book Value</b>  |              |              |
| <b>At 30 June 2019</b> | <b>20</b>    | <b>37</b>    |
| <b>At 30 June 2018</b> | <b>37</b>    | <b>59</b>    |

The Company held no property, plant and equipment at 30 June 2019 and 2018.

## 11. Intangible assets

| <b>Group</b>                      | <b>2019</b>  | <b>2018</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>£'000</b> | <b>£'000</b> |
| <b>Intellectual Property Cost</b> |              |              |
| At 1 July and 30 June             | <b>943</b>   | <b>943</b>   |
| <b>Amortisation</b>               |              |              |
| At 1 July                         | 745          | 529          |
| Charge for the year               | 47           | 47           |
| Impairment                        | -            | 169          |
| At 30 June                        | <b>792</b>   | <b>745</b>   |
| <b>Net Book Value</b>             |              |              |
| <b>At 30 June 2019</b>            | <b>151</b>   | <b>198</b>   |
| <b>At 30 June 2018</b>            | <b>198</b>   | <b>414</b>   |

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 12, an impairment of £0.169m was identified in the prior year relating to the intellectual property.

The remaining amortisation period for Intellectual Property is 4 years. The Company held no intangible assets at 30 June 2019 and 2018.

## 12. Investment in subsidiaries

| <b>Company</b>              | <b>2019</b>  | <b>2018</b>  |
|-----------------------------|--------------|--------------|
|                             | <b>£'000</b> | <b>£'000</b> |
| <b>Cost</b>                 |              |              |
| At 1 July                   | 6,297        | 6,124        |
| Additions                   | -            | 173          |
| At 30 June                  | <b>6,297</b> | <b>6,297</b> |
| <b>Impairment provision</b> |              |              |
| At 1 July                   | 6,297        | 2,523        |
| Charge for year             | -            | 3,774        |
| At 30 June                  | <b>6,297</b> | <b>6,297</b> |
| <b>Net Book Value</b>       |              |              |
| <b>At 30 June 2019</b>      | -            | -            |
| <b>At 30 June 2018</b>      | -            | <b>3,601</b> |

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% applied to the cash flow projections is derived from the Group's weighted average cost of capital. An average growth rate of 8% (rental revenue growth rate 8%) has been applied over the ten years of the cash flow forecast. In the prior year the impairment review indicated that the investment should be fully impaired resulting in an impairment charge of £3.774m.

### 13. Inventories

| <b>Group</b>          | <b>2019</b>  | <b>2018</b>  |
|-----------------------|--------------|--------------|
|                       | <b>£'000</b> | <b>£'000</b> |
| Goods held for resale | 55           | 79           |

The Company held no inventories at 30 June 2019 and 2018.

### 14. Trade and other receivables

|                                    | <b>2019</b>  | <b>2018</b>  | <b>2019</b>    | <b>2018</b>    |
|------------------------------------|--------------|--------------|----------------|----------------|
|                                    | <b>Group</b> | <b>Group</b> | <b>Company</b> | <b>Company</b> |
|                                    | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b>   |
| Trade receivables                  | 77           | 54           | -              | -              |
| Other receivables                  | 40           | 56           | 13             | 11             |
| Amounts owed by group undertakings | -            | -            | 41             | 187            |
|                                    | <b>117</b>   | <b>110</b>   | <b>54</b>      | <b>198</b>     |

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 is covered by a £250,000 loan facility (2018: included £250,000) advanced to Sabien Technology Limited. The loan facility is secured by way of a debenture over the assets of Sabien Technology Limited. The loan facility is interest free and repayable on demand.

Trade receivables are considered impaired if they are not considered recoverable. As at 30 June 2019, the Group had no receivables which were considered to be impaired and against which a full provision has been made. Trade receivables of £nil (2018: £nil) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

|                    | <b>2019</b>  | <b>2018</b>  |
|--------------------|--------------|--------------|
|                    | <b>£'000</b> | <b>£'000</b> |
| Up to 3 months     | 77           | 54           |
| 3 to 6 months      | -            | -            |
| More than 6 months | -            | -            |
|                    | <b>77</b>    | <b>54</b>    |

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

|                 | <b>2019</b>  | <b>2018</b>  |
|-----------------|--------------|--------------|
|                 | <b>£'000</b> | <b>£'000</b> |
| Pounds sterling | 116          | 110          |
| Euros           | 1            | -            |
|                 | <b>117</b>   | <b>110</b>   |

#### 15. Cash and bank balances

|                        | <b>2019</b>  | <b>2018</b>  | <b>2019</b>    | <b>2018</b>    |
|------------------------|--------------|--------------|----------------|----------------|
|                        | <b>Group</b> | <b>Group</b> | <b>Company</b> | <b>Company</b> |
|                        | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b>   |
| Cash and bank balances | 738          | 9            | 717            | 8              |

#### 16. Trade and other payables

|                                    | <b>2019</b>  | <b>2018</b>  | <b>2019</b>    | <b>2018</b>    |
|------------------------------------|--------------|--------------|----------------|----------------|
|                                    | <b>Group</b> | <b>Group</b> | <b>Company</b> | <b>Company</b> |
|                                    | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>   | <b>£'000</b>   |
| Trade payables                     | 21           | 145          | 4              | 70             |
| Social security and other taxation | 4            | 34           | (14)           | (8)            |
| Accruals and deferred income       | 111          | 109          | 37             | 30             |
| Other payables                     | -            | 31           | -              | -              |
|                                    | <b>136</b>   | <b>319</b>   | <b>27</b>      | <b>92</b>      |

In the prior 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.

#### 17. Share capital

|   | <b>2019</b>  | <b>2018</b>  |
|---|--------------|--------------|
|   | <b>£'000</b> | <b>£'000</b> |
| <b>Allotted, called up and fully paid</b>   |              |              |
| 890,254,867 Ordinary shares of 0.01p each (2018: 190,254,867 Ordinary shares of 0.5p)   | 89           | 951          |
| 44,004,867 Deferred shares of 4.5p each (2018: 44,004,867 Deferred shares of 4.5p each) | 1,980        | 1,980        |
| 190,254,867 New Deferred shares of 0.49p each (2018: nil)                               | 932          | -            |
| Total   | <b>3,001</b> | <b>2,931</b> |

On 13 December 2018 the Company passed an Ordinary resolution to subdivide the ordinary shares of 0.5 pence each into one new ordinary share of 0.01 pence each and one new deferred share of 0.49 pence.

The Deferred shares and New 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 14 December 2018, the Company raised £400k (gross) by the issue of 400,000,000 Ordinary shares of 0.01p each at a cash price of 0.1p per share. Net proceeds after expenses amounted to £364k.

On 17 May 2019, the Company raised £300k (gross) by the issue of 300,000,000 Ordinary shares of 0.01p each at a cash price of 0.1p per share. Net proceeds after expenses amounted to £285k.

### Share options (see note 20)

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

| Date of Grant    | At 1 July<br>2018 | At 30 June<br>2019 | Exercise<br>price | Exercisable<br>from | Exercisable to |
|------------------|-------------------|--------------------|-------------------|---------------------|----------------|
| 1 April 2010     | 295,694           | 281,371            | 54.5p             | April 2013          | April 2020     |
| 25 November 2010 | 91,743            | -                  | 54.5p             | November 2013       | November 2020  |
| 31 October 2014  | 35,000            | 35,000             | 54.5p             | October 2017        | October 2024   |
| <b>Total</b>     | <b>422,437</b>    | <b>316,371</b>     |                   |                     |                |

106,066 share options were cancelled or lapsed in the year under review.

### 18. Operating lease commitments

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

| Group                      | Land & buildings |               |
|----------------------------|------------------|---------------|
|                            | 2019<br>£'000    | 2018<br>£'000 |
| Expiry date:               |                  |               |
| Within one year            | -                | 15            |
| Between two and five years | -                | -             |
|                            | -                | <b>15</b>     |

The Company had no commitments under non-cancellable operating leases at 30 June 2019 and 2018.

### 19. Financial instruments

#### Financial assets

|   | Amortised<br>cost (loans<br>and<br>receivables)<br>Group<br>£'000 | Fair value<br>through<br>profit and<br>loss<br>Group<br>£'000 | Total<br>Group<br>£'000 | Amortised<br>cost (loans<br>and<br>receivables)<br>Company<br>£'000 | Fair value<br>through<br>profit and<br>loss<br>Company<br>£'000 | Total<br>Company<br>£'000 |
|---|---|---|-------------------------|---|---|---------------------------|
| Trade and<br>other<br>receivables<br>(excluding<br>prepayments) | 77  | -   | 77                      | -   | -   | -                         |
|   | <b>77</b>   | -   | <b>77</b>               | -   | -   | -                         |

## Financial liabilities

|                                | Amortised<br>cost (loans<br>and<br>payables)<br>Group<br>£'000 | Fair value<br>through<br>profit and<br>loss<br>Group<br>£'000 | Total<br>Group<br>£'000 | Amortised<br>cost (loans<br>and<br>payables)<br>Company<br>£'000 | Fair value<br>through<br>profit and<br>loss<br>Company<br>£'000 | Total<br>Company<br>£'000 |
|--------------------------------|--|---|-------------------------|--|---|---------------------------|
| Trade and<br>other<br>payables | 136  | -   | 136                     | 27   | -   | 27                        |
|                                | <b>136</b>   | <b>-</b>  | <b>136</b>              | <b>27</b>  | <b>-</b>  | <b>27</b>                 |

## 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 17 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:

|                                 | 2019    | 2018    |
|---------------------------------|---------|---------|
| 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 £nil (2018: £1k) arising from the share based payments noted above in profit and loss for the year ended 30 June 2019 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:

|   | <b>Number<br/>2019</b> | <b>Weighted<br/>average<br/>exercise price<br/>2019</b> | <b>Number<br/>2018</b> | <b>Weighted<br/>average<br/>exercise price<br/>2018</b> |
|---|------------------------|---|------------------------|---|
| Balance at beginning of the financial year  | 422,437                | 53.70   | 557,437                | 53.70   |
| Granted during the year                     | -                      | -   | -                      | -   |
| Cancelled during the year                   | (106,066)              | -   | (135,000)              | -   |
| Balance at end of the financial year        | 316,371                | 54.0  | 422,437                | 54.0  |
| Weighted average remaining contractual life | 1.26 years             | -   | 2.03 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 entered into service agreements with Karl Monaghan, Dr Martin Blake, Bruce Gordon, Charles Goodfellow and John Taylor with entities either controlled by them or in which they have an interest as shareholders. Fees are paid in accordance with those agreements. The remuneration of key management is included within the disclosure detailed in note 7 and is analysed in the Remuneration Report.

Charles Goodfellow is employed by the Group's joint brokers, Peterhouse Capital Limited. Fees paid to Peterhouse Capital Limited are proposed to the Board and approved by the Board as a whole. Fees paid to Peterhouse Capital Limited in the year were £64k (2018: £nil) and at the year end the amounts due to Peterhouse Capital Limited were £nil (2018: £nil).

During the year, Sabien Technology Limited was charged £53k (2018: £59k) by way of management charges by Sabien Technology Group Plc, its parent company. Sabien Technology Limited repaid £219k (2018: £115k) during the year in respect of working capital loans and at the year end the amount outstanding, excluding a provision of £nil (2018: £74k) charged in the year, was £41k (2018: £260k).

## **22. Subsequent events**

On 3 September 2019 the Group announced a subscription of 296,751,623 new ordinary shares at a price of 0.11 pence per subscription share raising £326k (gross).