SAGENTIA GROUP PLC

Annual Report and Financial Statements 2009

The company's registered number is 06536543

Contents

2009 Highlights

- Significant recovery in technology consulting profit during second half of year following actions taken in first half
  - Consulting fees for services' revenue of £20 2m (2008 £22 9m) and gross profit £0 4m (2008 £2 1m) from the full year following H109 gross loss of £0 4m
  - Net debt decreased by £1 5m to £2 7m (2008 £4 2m)

- Appointment of new CEO, Brent Hudson in October 2009 following the unexpected death of Alistair Brown in April

- Group structure further simplified
  - Sagentia Catella AB acquired by energy specialist Intertek Semko AB
  - Minority shareholding of Sagentia SGAI acquired
  - Sagentia Public Sector sold to management
  - Sagentia GmbH office closed
  - Sagentia Group Employee Trust closed
  - Atranova shareholding diluted below subsidiary

- Non-cash write down in fair value of financial assets and other non-current asset movements of £3 1m (2008 £2 0m) resulted in a pre-tax loss of £3 5m (2008 £2 2m)
  - Transfer of Investments to non-current assets classified as held for sale
  - Deferred income tax asset of £0 6m recognised
  - Loss per share of 13 5 pence (2008 9 7 pence)
  - Shareholders' funds per share of 58 7p (2008 71 9p)

- Awards and Licenses
  - Best LED Lighting Application award at Elektra 09 European Electronics Industry Awards
  - Innovative high colour quality lighting technology licensed to Nualight in the global food retail sector
  - Non-exclusive licensing deal concluded with Novotechnik in respect of its non-contact sensor technology

Sagentia is well placed to respond to changing market conditions in 2010

Chairman's statement

The last year has certainly been one of challenges for Sagentia

In April 2009 it was with great sadness that I had to announce the totally unexpected death of our Group CEO, Alistair Brown During his year in the post, Alistair had made great strides in improving the business and realigning the Group's strategic direction Alistair left a wife and two children Dan Flicos, the Group's Commercial Director, subsequently assumed full operational control of the business, while the Board began the process of identifying a successor That process was completed in October 2009 with the appointment of Brent Hudson Brent brings with him a wealth of relevant board-level and international business experience, particularly in growing technology-focused companies, a fresh perspective to the business, and the Board looks forward to working with him as we continue to move the business forward

Dan Flicos decided to leave the business from the end of October 2009 At that time I thanked him for his immense contribution to the Group over the years, especially during his last seven months when he played a pivotal role in guiding the Company through a difficult and challenging time I continue to wish him all the very best in his future career

During the first half of 2009 Sagentia had not been immune to the global recession, with 'Fees for services' revenue down 6% compared with the same period in the previous year Despite moving swiftly to implement a number of cost saving activities across the business while at the same time increasing the selling activities, the consulting operations returned a small loss in the first six months of the year

As expected, with the end of the Vodafone contract, the second half of the year saw Fees for services' revenues decrease however, due to the decisions taken in the first half, it also saw consulting operations return to gross profitability Our fees for services business in the second half more than compensated for the losses sustained in the first half, and resulted in an overall consulting gross profit for the year of £0 4m We have ended the year a smaller but more profitable and focussed consultancy and intellectual property ("IP") exploitation business

Our strategy for the business remains to focus on our consulting and IP exploitation activities During the year we have continued to simplify the group structure and dispose or close non-core activities These have included the disposal of the Sagentia Catella AB, our Swedish Battery Testing company, the sale of Sagentia Public Sector to its management, and the closure of the Sagentia Employee Trust While none of these disposals have generated significant cash for the group, they have removed non-core low margin activities and allowed management to concentrate on growing and developing our core activities

On the investment front we continue to seek to reduce our exposure to third party companies and during the course of the year we have reduced our exposure to Atranova, such that it is no longer a subsidiary, and realised cash of £0 4m from the disposal of CMR Fuel Cells earlier in the year We have moved our remaining investments to 'non-current assets classified as held for sale', reflecting our intention to dispose of them, while at the same time making a significant provision against the value we believe they will realise

Although it is extremely disappointing to yet again see the overall business returning a loss due to further write-down of these historic and non-core investments, it is very encouraging to see the consulting fees for service reversing the loss of the first half to return an overall consulting profit for the year This is a great tribute to all our people and, having entered the new year with a strong order book, with the business firmly focused and on a stable footing, we look to the future with renewed optimism

Chris Masters
Chairman
17 February 2010

Chief Executive's review

The Chief Executive's Review usually comprises an operational review of the past 12 months together with an outlook for the current year As my knowledge of Sagentia from the 'inside' comprises only a little over 3 months, I think it is more appropriate to start with my vision for the company which I see as building on the focus on consulting and IP exploitation that the Board and management have been driving through over the last 18 months, and accelerating its implementation

I am totally committed to making Sagentia a consistently successful business We have defined success as being "a company which is globally recognised in its niche markets, and which is growing, profitable and a great place to work" In terms of the major stakeholders in our business, namely our clients, our shareholders and our employees

- our clients will benefit from the focus on fewer sectors, which will allow us to improve our depth of knowledge of their business issues in our chosen markets which, in turn, will allow us to add increasing value to our clients' businesses
- a growing and consistently profitable business will lead to an increase in shareholder value
- employees undertaking interesting and challenging work for our clients in a growing and profitable business with good remuneration, career paths and working environment will allow us to retain and develop talented staff while attracting new staff to the business

Our core niche markets are Medical (Drug Delivery, Diagnostics, Critical Care and Surgical), Industrial and Consumer We undertake numerous projects in these areas which make a difference including FreeHand, a Prosurgics' laparoscopic robotic camera, Aktilite, Photocure's photodynamic treatment lamp, and the Vodafone micro-payments system We have good Quality Management Systems being ISO 9001 and ISO 13485 (regulatory requirements in the medical device industry) certified, which overlay and prescribe our project management systems, which in turn help us deliver projects successfully in an increasingly regulated marketplace, and which tell us that our clients are very satisfied with the work delivered

Sagentia will continue to pursue a strategy of generating non-consulting income through IP licensing and through product royalties Additional licences were signed during the year with Nualight (LED Lighting) and Novotechnik (sensor technology), and as noted last year income will be generated during the course of this year from Master Meter (sensor technology) Similarly, we have undertaken a number of projects during the year exploiting thin-film heating technology, which is finding applications in areas as diverse as kitchen appliances and hair care

In relation to the operations for the year, our consulting services are focused on the creation, development and delivery of new business opportunities, products and services for our clients Sagentia, like most companies however, had to take action to combat the effect of the global recession It was also affected by the transfer of the support services for the micro-payments system which constituted a major part of the Vodafone contract The company completed a cost saving exercise during the first half of the year in response to both of these issues This included reducing central non-operating costs as well as poorly utilised operating costs, completing the disposal of two non-core operations, Sagentia Catella AB and Sagentia Public Sector Ltd, and closing our operations base in Germany These decisions helped the return to consulting profitability during the second half of 2009, and has put the Company in a good position for 2010

Sagentia supported Vodafone in the development of its groundbreaking Vodafone Money Transfer service which has been widely recognised as a breakthrough in payment solutions Given its success, and the wish by Vodafone to roll it into more markets, the service support was moved to a global IT service delivery organisation The Vodafone Money Transfer team within Sagentia, comprising approximately 20 staff and a team of IT subcontractors, was transferred during September We would like to thank all of these people for their hard and award winning work

Our investment portfolio, while not active, has again shown a loss on the period The write-down of the £1 2m deferred consideration receivable from the disposal of Sensopad, was noted in the Interim statements We will continue to look for opportunities to dispose of our remaining holdings however, given the uncertainly surrounding their realisable value, the Board has decided to take a further provision of £1 9m against these investments

Information on the Group and various projects we have completed for clients is also available from 'The Gen', our company magazine, recent editions of which may be downloaded from our web site (www sagentia com)

Finally, I believe that the majority of the building blocks needed for Sagentia to be a success are in place, and look forward to reporting on the results for 2010

Brent Hudson
Chief Executive
17 February 2010

Financial review

Analysis of segmental results

The following table includes an analysis of the sources of revenue and operating profits and losses on ordinary activities across Sagentia, and is extracted from the Consolidated Income Statement and the segmental information set out in note 4 to this report

£000	Note	2009 Revenue	2008 Revenue	2009 Profit / (Loss)	2008 Profit / (Loss)
Consulting operations					
• Fees for services		**20,215**	22,945	**381**	1,869
• Recharged project expenses		**2,221**	4,434	**-**	-
• Licence / royalty income		**136**	254	**52**	215
		22,572	27,633	**433**	2,084
Other operations		**1,242**	1,438	**(320)**	(744)
Revenues Gross profit (loss)	**4,5**	**23,814**	29,071	**113**	1,340
Change in fair value on financial assets and other non-current asset movements	14			**(3,122)**	(1,982)
Redomiciliation costs				**-**	(589)
Share based payment charge	17			**(170)**	(170)
Operating loss				**(3,179)**	(1,401)
Finance Charges (net)	6			**(278)**	(809)
Loss on continuing operations before income tax				**(3,457)**	(2,210)
Income tax credit	9			**556**	123
Loss on continuing operations for the period				**(2,901)**	(2,087)

Revenue Note 4
Revenue decreased by 18% to £23 8m (2008 £29 1m) due primarily to a decrease of £2 7m of Consulting Operations - fees for services, and £2 2m in recharged project expenses
Consulting Operations - fees for services include £1 5m (2008 £2 0m) from subsidiaries now disposed, and £4 7m (2008 £7 9m) from micro payments project now complete
Other operations include £1 14m (2008 £1 18m) fees received for rental services (including rent, service and utilities charges) at Harston Mill Asset management fees of £0 2m were included in 2008 results
License and royalty fee income includes fees from Astra Zeneca (magnetic tagging), AB Electronics (Sensopad sensor) and Nualight (LED lighting)

Gross profit (loss) Note 5
Gross profit before fair value and other non-current asset adjustments fell to £0 1m (2008 £1 3m) This includes a profit for the Consulting Operations of £0 4m (2008 £2 1m) offset by Other Operations loss of £0 3m (2008 £0 7m) Other operations losses resulted from Spin out losses of £0 5m (2008 £1 0m) primarily Atranova Ltd (no longer a subsidiary) of £0 5m (2008 £0 6m)

Change in fair value on financial assets and other non-current asset movements Note 14
The reduction of £3 1m comprises a £1 2m write-down of accrued income (deferred consideration receivable), and £2 2m write down in our unquoted investments, partially offset by a release of provision against Atranova on deconsolidation
The deferred consideration receivable was originally recognised following our disposal of Sensopad Technologies Ltd in 2004, and is dependent upon the quantity of sensors to be sold within a four year period following initial production The write-down reflects the reduced levels of Sensopad sensors being sold into the automotive sector compared with those originally estimated, and hence the uncertainty over our ability to recover the remaining deferred consideration receivable balance
The provision against the investments recognises the current uncertainty in the valuation of unquoted pre-revenue investments that are expected to seek further funding from shareholders The investments have been moved to non-current assets classified as held for sale following the Board decision to seek an exit
The Group's full interest in CMR Fuel Cells plc was disposed of in March 2009 for cash consideration of £0 4m

Cost of options Note 19
The cost of those options issued and outstanding at the year-end for 2009 is calculated as £0 2m (2008 £0 2m) A net additional 0 5m options were issued during 2009 adding a cost of approximately 3p per option per year to the income statement

Financial review (continued)

Finance Charges Note 6
Finance charges for the year decreased to £0 3m (2008 £0 8m) due to an reduction in the value of the interest rate swap liability (identified in Note 18) of £0 4m, and a reduction in interest payable of £0 1m

Loss per share Note 11
The loss per share was 13 5p (2008 – 9 7p)

Income tax credit Note 9
The income tax expense includes the recognition of £0 6m (2008 £Nil) deferred income tax asset

Analysis of balance sheet

At 31 December 2009 Sagentia had shareholders' funds of £12 7m (2008 £15 4m) which is equivalent to approximately 58 7p per share (2008 – 71 9p)
This includes freehold land and buildings with a net book value of £14 0m (2008 £14 0m) against which Sagentia has an outstanding loan of £6 5m (2008 £9 0m) The property comprises Sagentia's 77,000 square feet freehold headquarters in Harston, England The principal tenant of the property remains Sagentia Limited, which occupies 35,000 square feet on arms length terms The majority of the remaining space is let on short to medium term leases – see Note 13
The fair value of equity investments in investee companies at the year-end was £1 4m (2008 £5 3m) and have been moved to 'non-current assets classified as held for sale' in 2009
Sagentia had cash balances of £4 2m (2008 £5 3m)
At the year-end Sagentia had a loan facility of up to £9 0m of which £6 5m was drawn down At the date of these accounts the loan drawn down was £5 5m This loan has certain undertakings of the borrower including that the amount drawn cannot exceed 70% of consolidated net worth (ie shareholders funds does not fall below £12 9m) which would restrict the amount available to be drawn to £8 9m The Board does not currently envisage needing to draw down the loan to this level in the foreseeable future

Cash and cash flow

The cash and cash equivalents during 2009 decreased by £1 1m (2008 increased by £4 4m) This resulted from cash inflows from operating activities of £1 1m (2008 inflows of £2 6m) plus cash inflows from investing activities of £0 5m (2008 – outflows of £0 5m) offset by cash outflows of £2 6m (2008 – inflow of £2 3m) from financing activities including the repayment on the loan facility

Operating cash inflows during the year resulted from a Gross Profit which converted into a positive cashflow of £0 1m (2008 £0 7m) with an improvement in working capital management during the year of £0 9m (2008 £1 9m)

Cash inflow from investing activities of £0 5m (2008 outflow £0 5m) resulted from discretional spending on fixed assets of £0 2m, offset by the sale of Sagentia Catella assets of £0 2m, sale of Sagentia Group plc own shares and sale of CMR Fuel Cell shares of £0 4m

Cash outflow from financing activities of £2 6m (2008 inflow 2 2m) resulted from the part repayment of loans drawn down during 2008 Bank loan details are disclosed in Note 18

Sagentia continues to carefully manage its cash resources so that its current liabilities can be met as they fall due, and that business and investment activities can progress in line with the business plan

Guy McCarthy
Financial Director
17 February 2010

Report of the Directors

The Directors present their annual report on the affairs of Sagentia Group plc, together with consolidated financial statements and independent auditors' report for the year ended 31 December 2009

Business Review and principal activities
The principal activities of Sagentia are the provision of skill-based technology consulting services, and the development and exploitation of intellectual property

A review of Sagentia's activities is contained in the Chairman's Statement and the Chief Executive's Review The entities principally affecting the profit and assets of Sagentia in the current and preceding year are listed in Note 14 to the financial statements

Key performance indicators
Management seek to manage cash and profitability of the Group Cash and working capital are reviewed via the Net Debt balance Profitability of the Consulting sector, with its relatively fixed cost base, is managed via the review of revenue Secondary KPIs of utilisation and fee rates achieved by division are also reviewed

- Group turnover was £23 8m (2008 £29 1m) of which Consulting fees for services was £22 6m (2008 £27 6m)
- Gross profit was £0 1m (2008 £1 3m)
- Loss on continuing operations before income tax was £3 5m (2008 £2 2m)
- Loss attributable to equity holders of the parent was £2 9m (2008 £2 2m)
- Net debt £2 7m (2008 £4 2m)

Individual results at a segmental level are also discussed in the Financial Review earlier

Substantial shareholdings
As at the date of this report, Sagentia had been notified of the following significant interests in its ordinary share capital

Shareholder	Ordinary shares held	% held
Catella Holding AB	10,512,080	48 4
Herald Investment Management Limited	1,387,491	6 4
Prof Gordon Edge CBE	1,129,807	5 1
Mark Bradshaw	1,034,209	4 8

Principal risks and uncertainties facing Sagentia
The operational risks are discussed in Note 25, with the financial and trading risks discussed in Note 3 to the financial statements

Planned future developments
A review of Sagentia's current and future activities is contained in the Chairman's Statement and Chief Executive's Review

Election of Directors
Brent Hudson was appointed by the Board during the year, and as such will offer himself for re-election at the next Annual General Meeting Guy McCarthy will retire by rotation and offer himself for re-election at the next Annual General Meeting

Dividends
No interim dividend was declared during the year and the directors do not recommend that a dividend be paid in respect of the year ended 31 December 2009 (2008 £Nil) It is the Board's policy to invest retained earnings to fund the further development and growth of the consulting business The Board will review its policy periodically in the context of Sagentia's distributable reserves and financial position

Directors
The directors of the Company who served during the year were

Director	Role at 31 December 2009	Date of (re-) appointment	Retired	Board Committee*			
Chris Masters	Chairman	09/05/09		A	I	N	R
Lars Kylberg	Senior Non-Executive	09/05/09		A	I	N	R
Staffan Ahlberg	Non-Executive	09/05/09		A		N	R
Brent Hudson	Chief Executive	05/10/09					
Guy McCarthy	Finance Director	17/03/09					
Alistair Brown	Chief Executive	17/03/09	10/04/09				
Dan Flicos	Commercial Director	09/05/09	30/10/09				

*Board Committee abbreviations are as follows A = Audit Committee, I = Independent Director, R = Remuneration Committee, N = Nomination Committee

Report of the Directors (continued)

Directors (continued)

Dr Chris Masters- Chairman
Chris took his doctorate in Chemistry at Leeds University and then worked for Shell Research BV in the Netherlands, and with Shell Chemicals in the UK He joined Christian Salvesen as Business Development Manager in 1979, becoming a director of its US operation and subsequently its Chief Executive from 1989 to 1997 After this, he was appointed Executive Chairman of Aggreko plc, a post he held until January 2002 Other directorships include British Assets Investment Trust plc (retired 2009), Alliance Trust plc, John Wood Group plc, the Crown Agents, and Creative Scotland 2009 Ltd

Lars Kylberg- Snr Independent Non-Executive Director
Lars has been a Non-Executive director of Sagentia Group AG since 2000 He worked at ASEA as Managing Director of its subsidiaries in Colombia and South Africa from 1967 to 1976 He was president of ASEA Skandia from 1976 to 1982 and Executive Vice president of Saab Scania from 1982 to 1984 He was President and Chief Executive Officer of Incentive AB and Alfa Laval AB from 1984 to 1989, two large Swedish industrial groups From 1991 until 1995 he was president and CEO of Saab Scania and was Chairman of Morgan Crucible Company plc from 1996 to 2006

Staffan Ahlberg- Non-Executive Director
Staffan received his Master of Science in Electronics from the Royal Institute of Technology in 1966 and his Bachelor of Business Administration from the Stockholm School of Economics in 1969 He worked as a management consultant at PA International from 1968 until 1978, when he founded International Business Systems AB He was the first managing director of International Business Systems AB, took the company public in 1986 and kept serving International Business Systems AB during 24 years until retiring in 2002, when International Business Systems AB was a global company with more than 2,000 employees in 22 different countries He has recently resigned as director of Catella AB, a Stockholm based investment asset management, corporate finance and private equity business
He was the Chairman of two public information technology companies in Stockholm, ENEA AB and ProAct AB (retiring from both in 2009)

Brent Hudson*– Chief Executive Officer
Brent joined Sagentia in October 2009 He qualified as a management accountant in 1985 and began his career working in financial management for FTSE-listed companies before moving to KPMG management consulting where he worked as a management consultant specialising in marketing and strategic consulting He gained an MBA from Cranfield University whilst working at KPMG Since then, he has held either senior or board-level roles at technology-led companies in both the UK and USA, including Cambridge-based electronic product developers Symbionics Ltd and Tality (UK) Ltd, QinetiQ Group PLC, and more recently as CEO of Beach Solutions Ltd

Guy McCarthy*– Finance Director
Guy took his B Sc in Pure Mathematics at Bath University in 1984 and completed an MBA through the Open University in 2002 He joined Price Waterhouse in 1984, and qualified as a Chartered Accountant in 1987 He remained with Price Waterhouse, as an audit manager until 1990 when he joined Sagentia Limited He has undertaken a number of senior management positions and company secretarial roles within the Sagentia over the years, most recently as Finance Director

*** Retire by rotation at the next AGM**

Directors' interests in shares and contracts
Directors' interests in the shares of Sagentia, at 31 December 2009 and 31 December 2008, and any changes subsequent to 31 December 2009, are disclosed in Note 8 None of the directors had an interest in any contract of significance to which Sagentia was a party during the financial year, other than that disclosed in Note 8

Environment
Sagentia's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business During the period covered by this report Sagentia has not incurred any fines or penalties or been investigated for any breach of environmental regulations

Employees
Sagentia is dependent upon the qualities and skills of our employees The commitment of our people has played a major role in our business success This has been demonstrated in many ways, including improvements in customer satisfaction (as measured under our ISO9001 system) of our UK consultancy business, the development of our service offerings and the flexibility they have shown in adapting to changing business requirements and new ways of working Employees' performance is aligned to goals through an annual performance review process that is carried out with all employees, and via Sagentia's profit share and Sagentia's option schemes

Non-current assets
Details of movements in property, plant and equipment during the year are set out in Note 13 to the financial statements The property was last valued during August 2008 The directors do not believe that the carrying value of the property is significantly different to its fair value

Research and development
Sagentia has a continuing commitment to a high level of research and development, both on its own behalf, and on behalf of its clients Directors estimate that research and development costs incurred during the year amounted to £5 2m (2008 £6 2m), all of which has been written off to the income statement This level of spend reflects the need to be at the forefront of technological advance to ensure future growth

Report of the Directors (continued)

Employment policies
Sagentia's employment policies are non-discriminatory on the grounds of age, gender, nationality, ethnic or racial origin, non-job-related-disability or marital status Sagentia gives every consideration to applications from all people and provides training and the opportunity for career development wherever possible

Sagentia operates a share option scheme, which is at the discretion of the Remuneration Committee Executives and managers in Sagentia are invited to participate on the basis of recommendations made by the CEO to the Remuneration Committee Sagentia provides employees with information about its activities through regular briefings and Sagentia intranet Employee involvement is encouraged across a wide range of business issues and Sagentia operates an Employee Consultative Committee to consult on collective matters that affect employees

Supplier payment policy
The supplier payment policy is to pay suppliers generally at the end of the month following that in which the supplier's invoice is received This policy is made known to staff that make payments to suppliers, and to all suppliers on request Sagentia payables balance for 2009 represents a creditor payment period of 23 days (2008 32 days)

Charitable and political donations
No charitable or political donations were made in the year (2008 £Nil)

Post balance sheet events
There were no post balance sheet events to disclose

Auditors
The directors appointed Grant Thornton UK LLP as auditors during the year The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming annual general meeting

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations
Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that 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
In so far as each of the directors is aware

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

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

Corporate Governance Report
Statement about applying the Principles of Good Governance
The Company is registered in England and Wales, and listed on the Alternative Investment Market of the London Stock Exchange ('AIM') As such it has sought to apply the overlying principles of good governance set out by both parties In particular Sagentia has applied the Principles of Good Governance set out in Section One of the Combined Code (2008) throughout the year by complying with the Code of Best Practice as reported below Further explanation of how the Principles have been applied is set out below

Corporate Governance Statements
Sagentia is committed to the principles of corporate governance contained in the Combined Code and for which the Board is accountable to shareholders This report explains how the Directors seek to apply the requirements of the Combined Code to procedures within Sagentia

Report of the Directors (continued)

Corporate Governance Report (continued)

Statement of compliance with the Code of Best Practice
Sagentia has complied throughout the year with the Provisions of the Code of Best Practice set out in Section One of the Combined Code except for the following matters

- Not all of the Non-Executive Directors on the Remuneration Committee or Audit Committee are independent
- The Board does not formally evaluate the performance of each of its Directors, but evaluates the effectiveness of the Board as a whole as part of the Strategy Review annually in quarter 3 each year by open forum discussion both with and without the executive Directors in attendance

The Chairman and senior Non-Executive Director on the Board at the year-end are independent Staffan Ahlberg is not considered independent under the Code as he was a director of Catella AB until mid 2009

Although the structure of the Board and a number of its subcommittees does not comply with the Combined Code, the Board believes that its composition is representative of the shareholders' register and, in particular, of the significant shareholding position of Catella Holding AB The Board believes that it is well advised by Lars Kylberg and Staffan Ahlberg, very experienced non-executive Directors It is the Board's intention to continue to seek the view of institutional shareholders regarding its composition and to adapt the composition of the Board in line with its strategic direction

Board of Directors
Biographical details of the directors are included at the start of the Directors' Report

At 31 December 2009, the Board comprised a Chairman, two Executive Directors and two Non-Executive Directors One of the two Non-Executive Directors is independent All directors bring a wide range of skills and international experience to the Board Lars Kylberg is the senior independent Non-Executive Director The Chairman holds meetings with the Non-Executive Directors without Executive Directors present

The roles of Chairman and Chief Executive are separated and clearly defined The Chairman is primarily responsible for the working of the Board of Sagentia Group plc, and the Chief Executive for the running of the business and implementation of the Board strategy and policy The Chief Executive is assisted in the managing of the business on a day-to-day basis by the Finance Director and the Executive team of Sagentia

High-level strategic decisions are discussed and taken by the full Board, with recommendations as appropriate from the Chief Executive Investment decisions (above a de minimus level) are taken by the Board, following the recommendation from the Executive Directors Operational decisions are taken by the Chief Executive within the framework approved in the annual budgets for their part of Sagentia Sagentia's principal operating subsidiary, Sagentia Ltd, is run by an executive team, chaired by the Chief Executive

The Board met six times during 2009 The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve The Board will meet at least six times a year to consider a formal schedule of matters including the operating performance of the advisory, exploitation and investment businesses and to review Sagentia's budget strategy and business model

Non-Executive Directors are appointed for a three-year term after which their appointment may be extended by mutual agreement after rigorous review by the Board In accordance with the company's Articles of Association, one-third of the Board are required to retire by rotation each year so that over a three-year period all Directors will have retired from the Board and faced re-election

All directors have access to the advice and services of the Company Secretary and other independent professional advisers as required Sagentia has put in place processes by which Non-Executive Directors can familiarise themselves with all aspects of Sagentia and have access to key members of staff

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties Sagentia's strategy is communicated to all employees in regular briefings

Risk management is crucial to the success of Sagentia, and the Board and Audit Committee consider the risks associated with Sagentia's technology and intellectual property pipeline, technical resources, as well as regulatory and other operational risks Risks are reviewed by the Board as part of the strategy review and the Audit Committee has since reviewed progress in all risk areas

Relations with shareholders
The directors seek to build on a mutual understanding of objectives between Sagentia and its institutional shareholders by meeting to discuss long-term issues and receive feedback, communicating regularly throughout the year and issuing semi-annual trading updates The Board also seeks to use the Annual General Meeting to communicate with its investors

Report of the Directors (continued)

Corporate Governance Report (continued)

Balanced and understandable assessment of position and prospects
The Board has shown its commitment to presenting balanced and understandable assessments of Sagentia's position and prospects by providing additional information to that required to comply with statutory obligations This principally includes additional disclosures within the financial report in relation to segmental breakdown of activities

As well as complying with the provisions of the Code as described in Sagentia's corporate governance statements, the Board has applied the Principles of Good Governance relating to directors' remuneration as described below The Board has determined that there are no specific issues which need to be brought to the attention of shareholders Approval of this report will not be sought at the Annual General Meeting

Remuneration strategy
Sagentia operates in a competitive market If Sagentia is to compete successfully, it is essential that it attracts, develops and retains high quality staff Remuneration policy has an important part to play in achieving this objective Sagentia aims to offer to its staff a remuneration package which is both competitive in the relevant employment market and which is set in relation to individual performance For 2009 and 2010 the remuneration package would comprise salary, pension contributions, healthcare and life assurance benefits, a company profit share scheme and share options

Board Committees

The Board maintains three standing committees, being the Audit, Remuneration and Nomination committees, all of which operate within written terms of reference Until April 2009, while the Sagentia Group AG offer remained in place, there was also an Offer Committee which dealt with the acceptances of Sagentia Group AG shareholders, and the issue of Sagentia Group plc shares in exchange The minutes of all sub-committees are circulated for review and consideration by the full complement of Directors, supplemented by oral reports from the Committee Chairmen at Board meetings

- **Audit Committee**

The Audit Committee is chaired by Lars Kylberg and comprises himself, Chris Masters and Staffan Ahlberg The Audit Committee met four times during 2009 The Committee Chairman also took additional meetings with the auditors and Finance Director during the year

The Audit Committee is responsible for reviewing a wide range of matters including the interim and annual financial statements before their submission to the board, as well as monitoring the controls, which are in force to ensure the integrity of the information reported to the shareholders The Audit Committee contribute to the Board's review of the effectiveness of internal controls and risk management systems They also advise the board on the appointment of external auditors, their remuneration both for audit and non-audit work, and discuss the nature, scope and results of the audit with external auditors The Audit Committee review the cost effectiveness and the independence and objectivity of the auditors

- **Remuneration Committee**

The Remuneration Committee is chaired by Staffan Ahlberg and comprises Chris Masters and Lars Kylberg The Remuneration Committee met twice during 2009 It may take advice from time to time from external advisors, but did not do so in 2009

Its function is to monitor the Human Resources policies of Sagentia to ensure that they are consistent with Sagentia's business and culture It is charged with executing the Board's policy on Executive Director and executive management remuneration and for reporting decisions made to the Board The Committee both determines the individual remuneration package of Executive Directors and reviews remuneration levels for other senior employees of Sagentia The Report of the Board on Remuneration on how Directors are remunerated can be found following this report Details of individual Directors' remuneration packages are in Note 8 to the financial statements

- **Nomination Committee**

The Nomination Committee is chaired by Chris Masters and comprises Staffan Ahlberg and Lars Kylberg The Nomination Committee met twice during 2009 It may take advice from time to time from external advisors, but did not do so in 2009

The Committee meets when necessary The Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance The Board seeks input from all Directors regarding nominations for Board positions Nominations for executive Directors are submitted by the Chief Executive to the Nomination Committee All board appointments have to be ratified at a General Meeting of the Company

Report of the Directors (continued)

Board Committees (continued)

Meetings of the Board and Subcommittees during 2009 were as follows

Board Meetings	16 Feb	17 Feb	6 Apr	28 Apr	28 Apr	23 Jun	25 Aug	17 Nov	14 Dec	15 Dec	21 Dec	23 Dec
Full Board		•		•		•	•	•			•	
Sub-committee												
- Audit	•					•	•		•			
- Remuneration						•				•		
- Offer / Allotment			•		•							•
- Nomination						•	•					
Directors in attendance												
- Chris Masters	•	•		•		•	•	•	•	•	•	
- Lars Kylberg	•	•		•		•	•	•	•	•	•	
- Staffan Ahlberg	X	•		•		•	•	•	X	•	•	
By invitation												
- Brent Hudson								•	•	•	•	•
- Alistair Brown	•	•										
- Daniel Flicos			•	•	•	•	•					
- Guy McCarthy	•	•	•	•	•	•	•	•	•	•	•	•

• Attended the meeting X Did not attend the meeting

Report of the Board on Remuneration

Remuneration Committee

The Remuneration Committee exists to provide a mechanism through which the Board can satisfy itself that Sagentia is adopting Human Resources policies that are consistent with Sagentia's business objectives and philosophy Its written terms of reference require the Committee to recommend policy on Executive Directors' and other senior managers' remuneration to the Board and, in accordance with the provisions of the Combined Code, to determine the remuneration of each Executive Director, including pension rights and any compensation payments

The Committee, which is chaired by Staffan Ahlberg, also comprises Lars Kylberg and Chris Masters Both Chris Masters and Lars Kylberg *are considered independent* Non-Executive Directors The Committee consults, as appropriate, with the Chief Executive of Sagentia and asks for assistance from the Human Resources Manager It also takes advice from time to time from external advisers, but did not do so in 2009

The Remuneration Committee recognise that incentivisation of staff is a key issue for Sagentia, which depends on the skill of its people for its success The Remuneration Committee seek to incentivise performance that links individual to Sagentia results During the year the Remuneration Committee has approved a grant of share options and confirmed the profit related bonus scheme for the Company

Service contracts

All Directors are appointed for a period of three years Executive directors' contracts contain a notice period of 6 months Non-executive Directors' service contracts may be terminated on three months' notice There are no additional financial provisions for termination

Option plans

The Company adopted an approved and unapproved Share Option Scheme in 2008 Options granted under these schemes are issued at market price The Remuneration Committee approves any options granted thereunder Executive Directors are entitled to participate in Sagentia's share option schemes Non-Executive Directors do not participate in Sagentia's share option schemes It is the policy of Sagentia to grant share options to Executive Directors and key employees as a means of encouraging ownership and providing incentives for performance

The market price of the shares at 31 December 2009 was 18 pence (2008 – 17 0 pence) The highest and lowest price during the year was 19 5 pence and 14 5 pence respectively

Report of the Directors (continued)

Report of the Board on Remuneration (continued)

Remuneration policy
-Executive Directors
The aim of the Board and the Remuneration Committee is to maintain a policy that

- establishes a remuneration structure that will attract, retain and motivate Executive Directors and senior managers of appropriate calibre
- rewards Executive Directors according to both individual and Group performance
- establishes an appropriate balance between fixed and variable elements of total remuneration, with the performance-related element forming a potentially significant proportion of the total remuneration package
- aligns the interests of Executive Directors and senior managers with those of shareholders through the use of performance-related rewards and share options in Sagentia
- ensures that Directors' and senior managers' remuneration packages are in line with Sagentia's remuneration policy

From time to time the Committee obtains market data and information as appropriate when making its comparisons and decisions and is sensitive to the wider perspective, including pay and employment conditions elsewhere in Sagentia, especially when determining salary increases

The remuneration package comprises the following elements

- Basic salary - Basic salaries are normally reviewed annually and are set to reflect market conditions, personal performance and those paid for similar jobs in comparable companies
- Annual performance-related bonus - Executive Directors receive annual performance-related bonuses related to company performance
- Benefits - Executive Directors' benefits include medical and dental expenses, life assurance and pension contributions

Full details of each Director's remuneration package and his interests in shares and share options can be found in Note 8 to the financial statements There are no elements of remuneration, other than basic earnings, which are treated as being pensionable

-Chairman and Non-Executive Directors
The remuneration arrangements of the Chairman and Non-Executive Directors are determined by the Board Fees are paid to Non-Executive Directors The basic fee for Non-Executive Directors is £15,000 per annum The Chairman is paid a fee of £50,000 per annum Benefits for Non-Executive Directors include reimbursement of travel and other incidental expenses for attendance at Board meetings and other Board committee meetings

Report of the Audit Committee

Audit Committee
The Committee, which is chaired by Lars Kylberg, also comprises Chris Masters and Staffan Ahlberg The Committee consults, as appropriate, with the Chief Executive and Finance Director It may also take advice from time to time from external advisers, but did not do so in 2009 Provision is made by the Audit committee to meet the auditors at least twice a year

The Audit Committee has written terms of reference and exists to provide a mechanism through which the Board can maintain the integrity of the financial statements of Sagentia and any formal announcements relating to Sagentia's financial performance, to review Sagentia's internal financial controls and Sagentia's internal control and risk management systems, and to make recommendations to the board in relation to the appointment of the external auditor for them to put to the shareholders for their approval in general meetings

Internal controls
In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investment and Sagentia's assets, the Directors recognise that they have overall responsibility for ensuring that Sagentia maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations, and for reviewing the effectiveness of that system However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material mis-statement or loss, and that the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives

Sagentia has established procedures necessary to implement the guidance on internal control issued by the FRC Guidance on Audit Committees 2008 This includes identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its Executive Directors and senior managers

Report of the Directors (continued)

Report of the Audit Committee (continued)

Internal controls (continued)
In previous years the Board has established a process for identifying, evaluating and managing the significant risks Sagentia faces

The key features of the internal control system are described below
Control environment Sagentia is committed to high standards of business conduct and seeks to maintain these standards across all of its operations There are also policies in place for the reporting and resolution of suspected fraudulent activities There is a whistle-blowing policy incorporated within the Sagentia Handbook Sagentia has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives
Risk identification Management is responsible for the identification and evaluation of key risks applicable to their areas of business These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements
Information systems Group businesses participate in periodic strategic reviews, which include consideration of long-term financial projections and the evaluation of business alternatives Annual budgets and rolling three-year plans are prepared The Board actively monitors performance against plan Forecasts and results are consolidated and presented to the Board on a regular basis Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented
Main control procedures Sagentia has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud Measures taken include segregation of duties and reviews by management
Monitoring and corrective action There are clear and consistent procedures in place for monitoring the system of internal financial controls

This process, which operates in accordance with the FRC guidance, was maintained throughout the 2009 financial year, and has remained in place up to the date of the approval of these financial statements The Board, via the Audit Committee, has formally reviewed the systems and processes in place in meetings with the Chief Executive, Finance Director, and Sagentia's Auditors during 2009 No internal audit function is operated outside of the systems and processes in place, as Sagentia is considered too small for a separate function The Board considers the internal control system to be adequate for Sagentia

The auditors have only provided services in relation to the annual audit of the Group during 2009

Approval
The report of the directors was approved by the Board on 17 February 2010 and signed on its behalf by

By order of the Board
Guy McCarthy
Company Secretary

Harston Mill
Harston
Cambridge
CB22 7GG

Independent Auditor's Report to the Members of Sagentia Group plc

We have audited the financial statements of Sagentia Group plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated and company statements of cash flow, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRS 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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
17 February 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	Group 2009 £000	Group 2008 £000
Continuing operations			
Revenue	4	**23,814**	29,071
Operating expenses	4,5	**(23,701)**	(27,731)
Gross profit	4	**113**	1,340
Change in fair value on financial assets and other non-current asset movements	14	**(3,122)**	(1,982)
Redomiciliation		**-**	(589)
Share based payment charge*		**(170)**	(170)
Operating loss		**(3,179)**	(1,401)
Finance costs	6	**(436)**	(536)
Finance income	6	**20**	16
Other financial result	6	**138**	(289)
Loss on continuing operations before income tax		**(3,457)**	(2,210)
Income tax credit	9	**556**	123
Loss on continuing operations for the year		**(2,901)**	(2,087)
Other comprehensive income			
Exchange differences on translating foreign operations		**(22)**	(421)
Total comprehensive income for the period		**(2,923)**	(2,508)

Loss on continuing operations for the year attributable to			
Equity holders of the parent		**(2,945)**	(1,746)
Minority interests		**44**	(341)
Loss on continuing operations for the year		**(2,901)**	(2,087)
Total comprehensive income for the period attributable to			
Equity holders of the parent		**(2,934)**	(2,196)
Minority interests		**11**	(312)
Total comprehensive income for the period		**(2,923)**	(2,508)
Earnings per share from total and continuing operations			
Loss per share (basic and diluted)	11	**(13 5)p**	(9 7)p

* See Consolidated Statement of Changes in Equity

Consolidated and Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

Group	Issued capital	Share premium	Merger reserve	Investment in own shares	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders funds	Minority Interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2008	216	-	22,202	(61)	(232)	429	(5,150)	17,404	133	17,537
Total comprehensive income for the year	-	-	-	-	(445)	-	(1,751)	(2,196)	(312)	(2,508)
New shares issued	50	-	-	(50)	-	-	-	-	-	-
Dividends paid to minorities	-	-	-	-	-	-	-	-	(34)	(34)
Shares in subsidiaries issued to minorities	-	-	-	-	-	-	-	-	276	276
Share options adjustment	-	-	-	-	-	170	-	170	-	170
Balance at 31 December 2008	266	-	22,202	(111)	(677)	599	(6,901)	15,378	63	15,441
Balance at 1 January 2009	266	-	22,202	(111)	(677)	599	(6,901)	15,378	63	15,441
Total comprehensive income for the year	-	-	-	-	11	-	(2,945)	(2,934)	11	(2,923)
Conversion of preference shares	(49)	49	-	-	-	-	-	-	-	-
Dividends paid to minorities	-	-	-	-	-	-	-	-	(20)	(20)
Shares purchased in minorities	-	-	-	-	-	-	-	-	(30)	(30)
Own shares sold	-	-	-	111	-	-	-	111	-	111
Share options adjustment	-	-	-	-	-	170	-	170	-	170
Balance at 31 December 2009	217	49	22,202	-	(666)	769	(9,846)	12,725	24	12,749

Company	Issued capital	Share premium	Merger reserve	Investment in own shares	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders funds	Minority Interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2008	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	(634)	(634)	-	(634)
New shares issued	266	-	10,343	-	-	-	-	10,609	-	10,609
Share options adjustment	-	-	-	-	-	3	-	3	-	3
Balance at 31 December 2008	266	-	10,343	-	-	3	(634)	9,978	-	9,978
Balance at 1 January 2009	266	-	10,343	-	-	3	(634)	9,978	-	9,978
Total comprehensive income for the year	-	-	-	-	-	-	416	416	-	416
Conversion of preference shares	(49)	49	-	-	-	-	-	-	-	-
Share options adjustment	-	-	-	-	-	21	-	21	-	21
Balance at 31 December 2009	217	49	10,343	-	-	24	(218)	10415	-	10,415

Sagentia Group plc was incorporated on 17 March 2008, and hence the company results show new shares issued in 2008
The Group and company results have been restated to reflect the group reorganisation See Note 2
The accompanying Notes are an integral part of the consolidated and company statement of changes in shareholder equity
The Merger reserve arose as a consequence of a group reconstruction that resulted in Sagentia Group plc acquiring Sagentia Group AG by way of a share for share exchange

Consolidated and Company Statement of Financial Position

At 31 December 2009

	Note	Company 2009 £000	Company 2008 £000	Group 2009 £000	Group 2008 £000
Assets					
Non-current assets					
Intangible assets	12	-	-	-	1
Property, plant and equipment	13	-	-	14,334	15,008
Investments	14	10,559	10,559	-	5,291
Deferred income tax assets	10	-	-	3,128	2,633
		10,559	10,559	17,462	22,933
Current assets					
Trade and other receivables	15	2	6	4,000	6,768
Current tax asset		-	-	14	80
Cash and cash equivalents	16	1	-	4,234	5,341
		3	6	8,248	12,189
Non-current assets classified as held for sale	14	-	-	1,441	-
Total assets		10,562	10,565	27,151	35,122
Liabilities					
Current liabilities					
Trade and other payables	17	147	586	4,326	6,926
Current income tax liabilities	17	-	-	57	-
Borrowings	17	-	1	-	113
		147	587	4,383	7,039
Non-current liabilities					
Borrowings	18	-	-	6,927	9,430
Other creditors	18	-	-	173	90
Financial instruments	18	-	-	351	489
Deferred income tax liabilities	10	-	-	2,568	2,633
		-	-	10,019	12,642
Total liabilities		147	587	14,402	19,681
Net assets / liabilities		10,415	9,978	12,749	15,441
Shareholders' equity					
Share capital*	19	217	266	217	266
Share premium		49	-	49	-
Merger reserve*		10,343	10,343	22,202	22,202
Investment in own shares*		-	-	-	(111)
Translation reserves*		-	-	(666)	(677)
Share based payment reserve*		24	3	769	599
Retained earnings*		(218)	(634)	(9,846)	(6,901)
		10,415	9,978	12,725	15,378
Minority interest		-	-	24	63
Total equity		10,415	9,978	12,749	15,441

* See Consolidated Statement of Changes in Equity

The financial statements were approved by the Board of Directors and signed on its behalf by

Chris Masters Chairman

Brent Hudson Chief Executive Officer

On 17 February 2010

The accompanying Notes are an integral part of the consolidated and company statement of financial position

The company's registered number is 06536543

Consolidated and Company Statement of Cash Flows

At 31 December 2009

	Note	Company		Group	
		2009 £000	2008 £000	2009 £000	2008 £000
Profit (loss) before income tax		622	(634)	(3,457)	(2,210)
Depreciation and amortisation charges		-	-	367	375
Change in fair value		-	-	3,122	2,047
Change in fair value of interest rate swap		-	-	(138)	289
Share based payment charge		21	3	170	170
(Increase) decrease in receivables		4	(6)	2,661	965
Increase (decrease) in payables		(645)	586	(1,736)	918
Cash generated from operations		2	(51)	989	2,554
UK corporation tax (paid) received (net)		-	-	87	76
Foreign corporation tax (paid) received (net)		-	-	42	-
Cash flows from operating activities		2	(51)	1,118	2,630
Purchase of property, plant and equipment		-	-	(245)	(764)
Purchase of subsidiary undertaking		-	-	(30)	-
Proceeds from sale of property, plant and equipment		-	-	254	-
Loan repayments received from third parties		-	-	-	19
Sale of current assets investments		-	-	34	-
Sale of subsidiary undertaking		-	-	-	10
Net cash disposed with subsidiary undertaking		-	-	(5)	-
Sale of financial assets at fair value through the profit and loss		-	-	447	206
Cash flows from investing activities		-	-	455	(529)
Issue of ordinary share capital		-	50	-	-
Issue of shares by subsidiary undertakings to minority interests		-	-	-	276
Dividends paid to minorities		-	-	(20)	(34)
Issue of loans by minority interests to subsidiary undertakings		-	-	-	502
Loans (repaid) drawn down		-	-	(2,613)	1,477
Cash flows from financing activities		-	50	(2,633)	2,221
Increase (decrease) in cash and cash equivalents in the year		2	(1)	(1,060)	4,322
Cash and cash equivalents at the beginning of the year		(1)	-	5,341	859
Exchange profit (loss) on cash		-	-	(47)	160
Cash and cash equivalents at the end of the year	17	1	(1)	4,234	5,341

Sagentia Group plc was incorporated on 17 March 2008, and hence the company results for 2008 comparatives are for the period 17 March 2008 to 31 December 2008

Notes to the Financial Statements

For the year ended 31 December 2009

1 General information
Sagentia Group plc (the 'Sagentia' or 'Company') and its subsidiaries (together 'Sagentia' or 'Group') is a leading international technology consulting and IP exploitation organisation with a reputation for successfully commercialising emerging science and technology Sagentia creates, develops and delivers business opportunities, products and services for its clients

The Company is the ultimate parent company in which results of all Sagentia companies are consolidated The Company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange To date it has acquired 99 9% of Sagentia Group AG via a share for share exchange

Sagentia develops new and novel technologies in the Medical (Drug Delivery, Diagnostics, Critical Care and Surgical), Industrial and Consumer industries Its key areas of expertise include engineering, electronics, life sciences, business innovation, and materials Sagentia's facilities include state-of-the-art offices and laboratories located in Europe in Cambridge, in the US in Washington, and in Asia in Hong Kong

The group and company accounts of Sagentia Group plc were prepared under IFRS and have been audited by Grant Thornton UK LLP Accounts are available from the company's registered office, Harston Mill Harston, Cambridge, CB22 7GG

The Company is incorporated in England and Wales and has its primary listing on the AIM Market of the London Stock Exchange (SAG L) The value of Sagentia Group plc shares, as quoted on the London Stock Exchange plc at 31 December 2009, was 18 0 pence per share (2008 17 0 pence)

These consolidated financial statements have been approved for issue by the Board of Directors on 17 February 2010

2 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below These policies have been consistently applied to all the years presented, unless otherwise stated

2 1 Basis of preparation
The consolidated financial statements of Sagentia have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value, as allowed by IAS39 Financial Instruments Recognition and Measurement, which are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRIC interpretations issued and effective at the time of preparing these statements This is consistent with policies adopted in the last annual financial statements for the year to 31 December 2008 except for the adoption of IAS 1 Presentation of Financial Statements (Revised 2007) and IFRS 8 Operating Segments

- The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income', included within the Income Statement
- The adoption of IFRS 8 has changed the segments that are disclosed in the financial statements In the previous financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker

Of the other new Standards and Interpretations effective for the year ended 31 December 2009, there was no impact on the presentation of the financial statements of Sagentia Group plc other than in disclosure The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements

No income statement is presented for Sagentia Group plc as provided by Section 408 of the Companies Act 2006 The company's profit for the financial period after tax, determined in accordance with the Act, was £416,000 (2008 – loss of £634,000)

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2009 are listed below Sagentia has not adopted these early

Number	Title	Effective
IFRS 9	Financial Instruments	01-Jan-13
IAS 24 (Revised 2009)	Related Party Disclosures	01-Jan-11
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements	01-Jul-09
Amendment to IAS 39	Financial Instruments Recognition and Measurement - Eligible Hedged *Items*	01-Jul-09
Amendment to IFRS 2	Group Cash-settled Share-based Payment Transactions	01-Jan-10
Improvements to IFRSs 2009	Improvements to IFRSs 2009	from 1 July 2009
IFRS 3 (Revised 2008)	Business Combinations	01-Jul-09
IFRIC 17	Distributions of Non-cash Assets to Owners	01-Jul-09
IFRIC 18	Transfers of Assets from Customers	from 1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01-Jul-10
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	01-Jan-11
Amendment to IFRS 1	Additional Exemptions for First-time Adopters	01-Jan-10
Amendment to IAS 32	Classification of Rights Issues	01-Feb-10

IFRS 3 Business Combinations (Revised 2009) will apply to any future business combinations that Sagentia may undertake once it is in force Sagentia has no plans to adopt the revised standard in advance of its mandatory implementation date and it is not possible to quantify the effect of the standard on future business combinations until those combinations take place
The other standards and interpretations are not expected to have any significant impact on Sagentia's financial statements, in their periods of initial application

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

2 Summary of significant accounting policies (continued)

2 1 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying Sagentia's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 24

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 3 The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Directors Review on pages 4 to 5 In addition, notes 3, 24 and 25 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk

The Group has financial resources together with contracts with a number of customers and suppliers across different geographical areas and industries The directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Acquisition of Sagentia Group AG by Sagentia Group plc

These statements consolidate the financial statements of Sagentia Group plc and its subsidiary undertakings drawn up to 31 December each year The Company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange For the purpose of preparing the consolidated accounts this transaction is not considered to be a business combination Thus, the directors have treated the results and cash flows of the combined entities brought into the consolidated financial statements of Sagentia Group plc, restating comparative results, as though they had always been combined The merger reserve shown within the Company accounts is the difference between the market value of the shares acquired and the nominal value of the shares issued The merger reserve shown within the Group accounts is the difference between the net asset value of the assets acquired and the nominal value of the shares issued

2 2 Basis of consolidation The consolidated financial statements of Sagentia have been prepared in conformity with International Financial Reporting Standards ("IFRS") as adopted by the EU

Sagentia financial statements consolidate the financial statements of Sagentia Group plc and its subsidiary undertakings drawn up to 31 December each year Sagentia Group AG was incorporated in 1996 under the name of Catella AG and in 1998 changed its name to The Generics Group AG, and in 2007 changed its name to Sagentia Group AG Sagentia Group AG, as part of a group reorganisation, became the parent of The Generics Group Ltd (now Sagentia Holdings Ltd) in 1998 via a share-for-share exchange in that company The company, as part of a group rebranding exercise, changed its name again during 2006 to Sagentia Group AG This combination qualified as a group reconstruction Thus the results and cash flows of the combined entities were brought into the financial statements of the combined entity as though they had always been combined In March 2008 Sagentia Group plc was incorporated in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange See Acquisition of Sagentia Group AG by Sagentia Group plc in section 2 1

The basis of consolidation is set out below

Subsidiaries - Subsidiaries are entities over which Sagentia has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Sagentia controls another entity Subsidiaries are fully consolidated from the date on which control is transferred to Sagentia They are de-consolidated from the date that control ceases These acquisitions are accounted for using the purchase method of accounting

Venture subsidiaries – Venture subsidiaries are investments in which Sagentia holds control, but holds these investments for ultimate disposal and capital gain Sagentia accounts for such investments as subsidiaries until either they are disposed of or Sagentia issues shares to minorities and allows control to pass

Associates - Associates entities over which Sagentia does not have the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights, but in which they hold a significant influence The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Sagentia has significant influence over another entity Associates share of profits are recognised from the date on which control is transferred to Sagentia Associates' losses are recognised only up to the level of investment or loan by Sagentia They are de-consolidated from the date that significant influence ceases

Investments – Investments are investments in which Sagentia does not hold significant influence Where Sagentia holds these investments for ultimate disposal and capital gain, they are accounted for in accordance with IAS39, and are designated as at fair value through profit and loss Where the decision has been made to sell these assets within 12 months, they are re-categorised to non-current assets held for resale

2 3 Segment reporting

The adoption of IFRS 8 has changed the segments that are disclosed in the financial statements In the previous financial statements, segments were identified by reference to the dominant source and nature of the group's risks and returns Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the chief operating decision maker There are now only two segments, Consulting and Other Consulting activities includes all 'fees for services' operations and licence or royalty income generated directly from these activities 'Other' activities includes rental income from Harston Mill and our remaining Venture Subsidiary activities

2 4 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software These costs are amortised on a straight-line basis over their estimated useful lives

Costs associated with maintaining computer software programmes are recognised as an expense as incurred Costs that are directly associated with the production of identifiable and unique software products controlled by Sagentia, and that will probably generate economic benefit greater than one year, are recognised as intangible assets Direct costs include the software development employee costs and an appropriate portion of relevant overheads

Computer software development costs recognised as assets (see 2 6 re requirements of internally developed software) are amortised over their useful lives (not exceeding three years)

2 5 Research expenditure

Research expenditure is written off as incurred

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

2 Summary of significant accounting policies (continued)

2 6 Development expenditure

Development expenditure is also written off as incurred, except where the Directors are satisfied that the technical, commercial and financial viability of individual project's criteria are met that would allow such costs to be capitalised Sagentia recognises an intangible asset if it believes it can demonstrate the following

-The technical feasibility of completing the intangible asset so that it will be available for use or sale

-Its ability to complete and use or sell the intangible asset

-How the intangible asset will generate probable future economic benefits, either by the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset

-The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset

-Its ability to measure reliably the expenditure attributable to the intangible asset during its development

Identifiable expenditure is then capitalised and amortised over the period during which benefits are expected (3-5 years)

2 7 Property, plant and equipment

Land and buildings as shown in the notes to the accounts comprise offices and laboratories at Harston Mill, Harston, Cambridge, UK Land and buildings are shown at historical cost less accumulated depreciation Historical cost includes expenditure that is directly attributable to the acquisition of the items Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to Sagentia and the cost of the item can be measured reliably All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred

Land is not depreciated Depreciation on other assets is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives, as follows

Buildings	25 years
Furniture and fittings	3-10 years
Equipment	3-4 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date An asset's carrying amount is written down immediately to its recoverable amount, when an indicator of impairment is identified

Gains and losses on disposals are determined by comparing proceeds with carrying amount These are included in the income statement

2 8 Investments

Sagentia classifies its investments that are not controlled investments as equity investments at fair value through profit or loss Initial recognition is at fair value, with transaction costs expensed

Fair value through profit or loss investments that are not controlled investments are shown on the balance sheet at their fair value and any associated changes in fair value are included in the income statement in the period they arise

Valuation policy - In determining fair value, investments have been valued by the Directors in compliance with the principles of the International Private Equity and Venture Capital Guidelines, updated and effective 1 January 2005, as recommended by the British Venture Capital Association (BVCA)

Listed investments - the fair values of quoted investments are based on bid prices at the balance sheet date

Unlisted investments - the valuation methodology used most commonly by Sagentia is the "price of recent investment", reflecting the early stage nature of the investments

The following considerations are used when calculating the fair value using the "price of recent investment" guidelines

Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value, and where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation

Controlled investments - Sagentia also undertake investment activities in investments that are controlled, the performance of which, therefore, cannot be measured by changes in fair value arising from the investment activity of Sagentia Sagentia identify these activities separately as Venture Subsidiaries, and such investments are consolidated, in accordance with Sagentia's policy on consolidation

2 9 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that Sagentia will not be able to collect all the amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement

2 10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition Equity investments are normally excluded, unless they are in substance a cash equivalent (e g preferred shares acquired within three months of their specified redemption date) Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents

2 11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred Borrowings are subsequently stated at amortised costs, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless Sagentia has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

2 12 Share capital

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the Company's equity holders

Sagentia had an Employee Share Ownership Trust (ESOT The ESOT was consolidated as if it were a subsidiary The ESOT was closed at the end of 2009

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

2 Summary of significant accounting policies (continued)

2 13 Revenue recognition

Group revenue is measured at the fair value of consideration received or receivable by the Group and comprises the value of sales (excluding VAT) of services provided in the normal course of business Sagentia revenue recognition policies by revenue type are as follows

Consulting revenues are recognised in proportion to the stage of completion of each project The stage of completion takes into account the milestones achieved in relation to the project deliverables Any success elements of consultancy revenues are recognised in the period when believed to be relatively certain and attributable

Licence and royalty income is recognised in the related period in line with the contract

Share of manufacturer's margin – income recognised in the related period in line with the agreement

Management fees (and any carried interest income) relating to the provision of investment management services are recognised when earned Management fees are typically a percentage of funds under management

Rental income from leases over property held is recognised in the related period in line with the lease agreement

2 14 Long-term contracts

Amounts recoverable on long-term contracts, which are included in trade receivables, are stated at the value of the work done less amounts received as progress payments on account Work done is calculated based on proportion of time spent on the project or value of stage gates achieved as set out in the project Progress payments in excess of work done are included in payables as payments on account

2 15 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each of Sagentia's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

In respect of translation differences on non-monetary items, items held at cost are translated at the exchange rate at the date of transaction and items held at fair value are translated at the exchange rate when the fair value was determined

(c) Group companies

The results and financial position of all Sagentia entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows'

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) All resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate

2 16 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes The schemes are generally funded through payments to insurance companies based on a percentage of salary earned, currently ranging between 0% and 20%, or trustee-administered funds determined by periodic actuarial calculations Sagentia has defined contribution plans A defined contribution plan is a pension plan under which Sagentia pays fixed contributions into a separate entity Sagentia has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods

For defined contribution plans, Sagentia pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis Sagentia has no further payment obligations once the contributions have been paid The contributions are recognised as employee benefit expense when they are due Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

(b) Share-based compensation

Sagentia operates an equity-settled, share-based compensation plan The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, as calculated using the Black-Scholes option- pricing method, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets) Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits Sagentia recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy Benefits falling due more than 12 months after balance sheet date are discounted to present value

(d) Profit-sharing and bonus plans

Sagentia recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments Sagentia recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

2 Summary of significant accounting policies (continued)

2 17 Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements However, if the deferred income tax arises from goodwill, the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Sagentia and it is probable that the temporary difference will not reverse in the foreseeable future

2 18 Income Tax

Income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws of the relevant countries that have been enacted or substantively enacted by the balance sheet date

2 19 Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee A corresponding amount is recognised as a finance leasing liability Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date the asset is initially recognised

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease

All other leases are treated as operating leases and are charged on a straight-line basis over the lease term, even if payments are not made on such a basis

Income from property leases is recognised in the related period in line with the lease agreement

2 20 Capitalisation of borrowing costs and interest

Finance costs of debt are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount Finance costs which are directly attributable to the construction of qualifying assets are capitalised as part of the cost of those assets The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete

2 21 Financial instruments

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category

Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists

3 Financial risk management

3 1 Financial risk factors

Sagentia's activities expose it to a variety of financial risks market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk Sagentia's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Sagentia's financial performance Sagentia uses derivative financial instruments to hedge certain risk exposures

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors Group Treasury identifies, evaluates and hedges financial risks in close co-operation with Sagentia's operating units The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity

(a) Foreign currency sensitivity

Sagentia operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro and Hong Kong dollar Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations

To manage their foreign exchange risk arising from commercial transactions, recognised assets and liabilities, entities in Sagentia may use forward contracts, transacted with Group Treasury Foreign exchange risk arises when commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts There were no forward currency contracts at the year end

Sagentia's risk management policy is to hedge anticipated transactions when there is certainty of receipt of funds

Sagentia has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

3 Financial risk management (continued)

3 1 Financial risk factors (continued)

Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows

2009 £000	US$	Euro	HK$	Swedish Krona	Total
Financial assets	1,424	732	43	101	2,300
Financial liabilities	(46)	(46)	(7)	(5)	(104)
Short-term exposure	**1,378**	**686**	**36**	**96**	**2,196**
Financial assets	-	-	-	-	-
Financial liabilities	-	-	-	(72)	(72)
Long-term exposure	-	-	-	**(72)**	**(72)**

2008 £000	US$	Euro	HK$	Swedish Krona	Total
Financial assets	1,528	972	155	285	2,940
Financial liabilities	(33)	(16)	(59)	(133)	(241)
Short-term exposure	**1,495**	**956**	**96**	**152**	**2,699**
Financial assets	-	-	-	-	-
Financial liabilities	-	-	-	(73)	(73)
Long-term exposure	-	-	-	**(73)**	**(73)**

The following table illustrates the sensitivity of the net movement on reserves and equity in regards to Sagentia's financial assets and financial liabilities and the US dollar/GBP exchange rate, Euro/GBP exchange rate and Hong Kong dollar/GBP exchange rate It assumes a +/- 10% change of the GBP / US dollar exchange rate for the year ended at 31 December 2009 (2008 25%) A +/- 10% change is considered for the GBP / Euro exchange rate (2008 20%) A +/- 10% change is considered for the GBP / Hong Kong dollar exchange rate (2008 20%) Each of these percentages has been determined based on the month on month volatility in exchange rates in the previous 12 months The sensitivity analysis is based on Sagentia's foreign currency financial instruments held at each balance sheet date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates

If the GBP had strengthened against the US dollar, Euro and Hong Kong dollar by 10% (2008 25%), 10% (2008 20%) and 10% (2008 20%) respectively then this would have had the following impact

2009 £000	US$	Euro	HK$	Total
Profit and loss	(138)	(69)	(4)	(211)
Equity	(138)	(69)	(4)	(211)

If the GBP had weakened against the US dollar, Euro and Hong Kong dollar by 10% (2008 25%), 10% (2008 20%) and 10% (2008 20%) respectively then this would have had the following impact

2009 £000	US$	Euro	HK$	Total
Profit and loss	138	69	4	211
Equity	138	69	4	211

The actual rate movement against the US dollar, Euro and Hong Kong dollar for the year was 12% (2008 -28%), 9% (2008 -24%) and 12% (2008 -28%) respectively

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

3 Financial risk management (continued)
3 1 Financial risk factors (continued)
Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions Nonetheless, the analysis above is considered to be representative of Sagentia's exposure to currency risk

(b) Interest rate sensitivity
Sagentia's policy is to minimise interest rate cash flow exposures on long term financing Longer term borrowings are therefore usually at fixed rates At 31 December 2009, Sagentia is exposed to changes in market interest rates through its short term bank borrowings, which are subject to variable interest rates – see note 20 for further information
Sagentia manages its longer term cash flow interest-rate risk by using floating-to-fixed interest-rate swaps Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates Generally, Sagentia raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if Sagentia borrowed at fixed rates directly Under the interest-rate swaps, Sagentia agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts

Sagentia's bank borrowings and their interest rate profile are as follows

	2009	2008
	£000	£000
Sterling – bank loan	**6,500**	9,000
Swedish Krona - bank loan	**-**	113
	6,500	9,113
Weighted average interest rate	**%**	%
Sterling – fixed rate bank loan	**7 1**	7 1
Sterling – floating rate bank loan	**Base+0 8%**	Base+0 8%
Swedish Krona - floating rate bank loan	**-**	5 5

For benchmark rates of interest, Sagentia refers to both the LIBOR and EUROBOR rates
The bank loans are secured via a fixed charge over assets of Sagentia and are repayable as disclosed in Note 20
Terms and conditions of the interest rate swap are as disclosed in Note 18

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1 0% and -1 0% (2008 +/- 1 0%), with effect from the beginning of the year These changes are considered to be reasonably possible based on observation of current market conditions The calculations are based on Sagentia's financial instruments held at each balance sheet date All other variables are held constant

	2009	**2009**	2008	2008
	£000	**£000**	£000	£000
	+1 0%	**-1 0%**	+1 0%	-1 0%
Net result for the year	(80)	82	(45)	45
Equity	(80)	82	(45)	45

(c) Price risk
Any investments in listed equity securities are considered short-term investments In accordance with Sagentia's policies, no specific hedging activities are undertaken in relation to these investments The investments are continuously monitored and voting rights arising from these equity instruments are utilised in Sagentia's favour

(d) Credit risk analysis
Sagentia has no significant concentrations of credit risk It has policies in place to ensure that sales are made to clients with an appropriate credit history Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions Sagentia has policies that limit the amount of credit exposure to any financial institution

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

3 Financial risk management (continued)
3 1 Financial risk factors (continued)
Sagentia's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below

	2009 £000	2008 £000
Classes of financial assets – carrying amounts		
-Loans and receivables – non-current assets	-	1,200
Designated at fair value through profit and loss		
-equity investments	-	4,091
Non-current assets classified as held for sale	1,441	-
Cash and cash equivalents	4,234	5,341
Trade and other receivables	3,151	5,425
	8,826	16,057

Sagentia continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls Where available at reasonable cost, external credit ratings and / or reports on customers and other counterparties are obtained and used Sagentia's policy is to deal only with creditworthy counterparties
Sagentia's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due
None of Sagentia's financial assets are secured by collateral or other credit enhancements
In respect of trade and other receivables, Sagentia is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings

(e) Liquidity risk analysis
Sagentia manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business Liquidity needs are monitored on a weekly and monthly basis Long-term liquidity needs for a quarterly and semi-annual period are reviewed monthly
Sagentia maintains cash to meet its liquidity requirements in interest bearing current accounts Funding for long-term liquidity needs is secured by committed credit facilities

As at 31 December 2009, Sagentia's liabilities have contractual maturities which are summarised below

2009	Current		Non-current	
Within	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank loans	-	-	6,927	-
Trade payables	638	-	-	-
Derivatives	-	-	351	-
	638	-	7,278	-

This compares to the maturity of Sagentia's financial liabilities in the previous reporting period as follows

2008	Current		Non-current	
Within	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank loans	113	-	9,430	-
Trade payables	1,760	-	-	-
Derivatives	-	-	489	-
	1,873	-	9,919	-

The above contractual maturities reflect the date of maturation, but exclude interest and interest payable and so reflect the carrying values of the liabilities at the balance sheet date

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

3 Financial risk management *(continued)*

3 1 Financial risk factors (continued)

(f) Summary of financial assets and liabilities by category

The carrying amounts of Sagentia's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows

	Company		Group	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Non-current assets				
Loans and receivables	-	-	-	1,200
Designated at fair value through profit and loss - equity investments	-	-	-	4,091
	-	-	-	5,291
Current assets				
Trade and other receivables				
- trade receivables	-	-	**3,151**	5,425
Cash and cash equivalents	**1**	-	**4,234**	5,341
	1	-	**7,385**	10,766
Non-current assets classified as held for sale	-	-	**1,441**	-
	1	-	**8,826**	10,766
Non-current liabilities				
Borrowings				
- Other financial liabilities at amortised cost	-	-	**6,927**	9,430
Derivative financial instruments				
- Financial liabilities held for trading (carried at fair value through profit and loss)	-	-	**351**	489
	-	-	**7,278**	9,919
Current liabilities				
Borrowings				
- Financial liabilities at amortised cost	**21**	497	-	113
Trade payables				
- Financial liabilities measured at amortised cost	**13**	23	**638**	1,760
	34	520	**638**	1,873

3 2 Fair value estimation

(a) Financial instruments

The following table presents the financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy This hierarchy groups financial assets and liabilities into three levels based on the significance used in measuring the fair value of the financial assets and liabilities The fair value hierarchy has the following levels

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted market prices included within level 1 that are observable for an asset or liability, either directly (ie as prices) or indirectly (ie derived from prices), and
- Level 3 – input for the asset or liability that are not based on observable market data(unobservable inputs)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

3 Financial risk management (continued)

3 2 Fair value estimation (continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows

Group **31 December 2009**	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Non-current assets	-	-	-	-
Current assets				
Trade and other receivables				
- *trade receivables*	-	3,151	-	3,151
Cash and cash equivalents	-	4,234	-	4,234
	-	7,385	-	7,385
Non-current assets classified as held for sale	-	-	1,441	1,441
	-	-	1,441	8,826
Non-current liabilities				
Borrowings				
- Other financial liabilities at amortised cost	-	6,927	-	6,927
Derivative financial instruments				
- Financial liabilities held for trading (carried at fair value through profit and loss)	-	351	-	351
	-	7,278	-	7,278
Current liabilities				
Trade payables				
- Financial liabilities measured at amortised cost	-	638	-	638
	-	638	-	638

3 3 Capital management

Capital only comprises equity attributable to the equity holders of the parent, following the conversion of the convertible preference shares during the year Sagentia is able to issue or repurchase ordinary shares under certain circumstances, but did not do so during 2009 or 2008, other than the issue of shares by Sagentia Group plc to acquire Sagentia Group AG (see Note 19) The Group resold own shares held during 2009 as disclosed in Note 8

Sagentia's objectives for managing capital are to maintain sufficient capital to retain the offices at Harston Mill, and to maintain sufficient liquidity to meet the expenses of the consulting operation No changes were made to the objectives, policies or processes during the 2009 or 2008

Sagentia monitors capital by reviewing shareholders equity and net debt in total, and how this will affect its ability to borrow against its non-current assets The reduction in net debt and reduction in shareholders' equity is not expected to affect the Company's ability to borrow sufficient working capital for the foreseeable future

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

4 Segment information

On 31 December 2009, Sagentia was organised on a worldwide basis into two segments, Consulting and Other Consulting activities includes all 'fees for services' operations and licence or royalty income generated directly from these activities 'Other' activities include rental income from Harston Mill and our remaining Venture Subsidiary activities

Year ended 31 December 2009	*Consulting* £000	*Other* £000	*Total* £000
Fees	20,215	1,242	21,457
Recharged project expenses	2,221	-	2,221
Licence / royalty income	136	-	136
Revenue	**22,572**	**1,242**	**23,814**
Gross profit (loss)	**433**	**(320)**	**113**
Change in fair value of financial assets	-	(3,122)	(3,122)
Redomiciliation costs	-	-	-
Cost of options	(146)	(24)	(170)
Operating profit (loss)	**287**	**(3,466)**	**(3,179)**
Finance charges			(278)
Loss before income tax			**(3,457)**
Tax income			556
Loss for the year			**(2,901)**
Balance sheet analysis			
Total assets	8,242	18,391	**26,633**
Total liabilities	(7,466)	(6,418)	**(13,884)**
Total equity	**776**	**11,973**	**12,749**

Year ended 31 December 2008	Consulting £000	Other £000	Total £000
Fees	22,945	1,438	24,383
Recharged project expenses	4,434	-	4,434
Licence / royalty income	254	-	254
Revenue	**27,633**	**1,438**	**29,071**
Gross profit (loss)	**2,085**	**(744)**	**1,340**
Change in fair value of financial assets	-	(1,982)	(1,982)
Redomiciliation costs	-	(589)	(589)
Cost of options	(146)	(24)	(170)
Operating profit (loss)	**1,939**	**(3,339)**	**(1,401)**
Finance charges			(809)
Loss before income tax			**(2,210)**
Tax income			123
Loss for the year			**(2,087)**
Balance sheet analysis			
Total assets	14,217	20,905	**35,122**
Total liabilities	(14,502)	(5,179)	**(19,681)**
Total equity	**(285)**	**15,726**	**15,441**

Consulting Operations - fees for services include £1 5m (2008 £2 0m) from subsidiaries now disposed, and £4 7m (2008 £7 9m) from a single customer

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

5 Operating expenses

Expenses by nature		Group	
Year ended 31 December	Note	2009 £000	2008 £000
Employee benefit expense (excluding share options)	7	**12,885**	14,085
Rechargeable project expenses		**1,899**	4,005
Operating third party expenses		**1,955**	3,468
Occupancy costs		**1,825**	1,492
Equipment and consumables		**860**	880
Selling and marketing expenses		**1,218**	1,785
Depreciation of property, plant and equipment	13	**366**	371
Patent fees		**175**	141
Recruitment and training		**293**	670
Amortisation of intangible assets	12	**1**	4
Foreign currency losses (gains)		**289**	-
Other		**1,935**	830
		23,701	27,731

Included above		Group	
	Note	2009 £000	2008 £000
Research and development		**5,213**	6,227
Operating lease rentals			
• Plant and machinery		**59**	62
• Other		**62**	55
Auditors' remuneration			
Services to the Company and its subsidiaries			
Fees payable to the Company's auditors for the audit of the financial statements		**18**	13
Fees payable to the Company's auditors and its associates for other services			
Audit of the financial statements of the Company's subsidiaries pursuant to legislation		**30**	40
Other services supplied pursuant to legislation		**-**	-
Other services relating to corporate finance transaction		**-**	60

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

6 Finance income and finance costs

Finance costs include all interest-related income and expenses, other than those arising from financial assets at fair value through the profit or loss The following have been included in the income statement for the reporting periods presented

	Group	
Year ended 31 December	**2009 £000**	2008 £000
Finance income		
Bank interest receivable and similar income	**20**	16
Finance costs		
Bank loans and overdrafts	**(436)**	(536)

Other financial result

	Group	
Year ended 31 December	**2009 £000**	2008 £000
Change in fair value of interest rate swap	**138**	(289)

7 Employee benefit expense

Employment costs are shown below

	Group	
Year ended 31 December	**2009 £000**	2008 £000
Wages and salaries (including bonuses and healthcare costs)	**10,440**	11,401
Social security costs	**1,525**	1,717
Share options granted to directors and employees	**170**	170
Other pension costs	**920**	966
	13,055	14,254

The average monthly number of persons employed (including executive directors) by Sagentia was as follows

	Group	
Year ended 31 December	**2009 £000**	2008 £000
Technology consultants	**154**	171
Marketing, support, administration and other technically-qualified staff	**40**	53
	194	224

8 Directors' remuneration, interests and transactions

Aggregate remuneration

Year ended 31 December	**2009 £000**	2008 £000
Short-term employee benefits	**403**	524
Post employment pension and medical benefits	**29**	38
Termination benefits	**66**	-
Share based payment transactions	**54**	68
	552	630

The amounts shown were recognised as an expense during the year related to key management personnel Bonuses, pension and medical benefits are not paid to non executive directors An amount of £66,000 was paid to a director who retired during 2009

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

8 Directors' remuneration, interests and transactions (continued)

Directors' emoluments and benefits include

Year ended 31 December 2009	Salary/ fee	Bonus	Pension contribution	Taxable Benefits	Compensation for loss of office	Share based transactions	Total
Name of Director	£000	£000	£000	£000	£000	£000	£000
Ahlberg	15	-	-	-	-	-	15
Brown	43	-	7	-	-	9	59
Flicos	110	20	2	1	66	22	221
Hudson	36	-	-	-	-	1	37
Kylberg	15	-	-	-	-	-	15
Masters	50	-	-	-	-	-	50
McCarthy	114	-	18	1	-	22	155
Aggregate emoluments	383	20	27	2	66	54	552

Year ended 31 December 2008	Salary/ fee	Bonus	Pension contribution	Taxable Benefits	Compensation for loss of office £000	Share based transactions	Total
Name of Director	£000	£000	£000	£000			£000
Ahlberg	10	-	-	-	-	-	10
Brown	112	73	18	1	-	29	233
Flicos	129	27	3	2	-	22	183
Kylberg	15	-	-	-	-	-	15
Masters	50	-	-	-	-	-	50
McCarthy	88	20	13	1	-	17	139
Aggregate emoluments	404	120	34	4	-	68	630

Directors' emoluments and benefits are stated for the directors to Sagentia Group plc only The amounts for 2008 *include all emoluments and benefits* earned from the date of appointment to the board of Sagentia Group plc together with any emoluments and benefits earned for those directors of Sagentia Group AG prior to the appointment as directors of Sagentia Group plc

The above figures for emoluments do not include any gains made on the exercise of share options received under long-term incentive schemes

Directors' interests in the shares of Sagentia, at 31 December 2009 and 31 December 2008, and any changes subsequent to 31 December 2009, are as follows

Sagentia Group plc Ordinary shares of £0 01	Options				Shares	
Year ended 31 December	**2009**	2008	**2009**	2008	**2009**	2008
	Average exercise price		No.	No	No	No
	(p)	(p)				
Masters	-	-	-	-	100,000	100,000
Hudson	16 7	-	500,000	-	65,000	-
McCarthy	27 4	27 4	307,078	307,078	70,621	20,621
Kylberg	-	-	-	-	34,654	34,654
Ahlberg	-	-	-	-	98,290	-
			807,078	307,078	368,565	155,275

Options were granted to Directors during 2009 were as follows

Ordinary £0 01 shares of Sagentia Group plc	Average exercise price (p)	Approved share options No	Unapproved share options No	31 December 2009 No
Hudson	16 7	166,666	333,334	500,000

The options may be exercised between 3 and 10 years from the date of grant No Directors made any gain on the exercise of share options during the year and no options were exercised

Directors' interests in contracts of significance The Board authorised the purchase of 213,290 shares in Sagentia Group plc from Sagentia Group AG and Sagentia Group Employee Trust at mid market price of 15 5p by Directors Hudson, McCarthy and Ahlberg in December 2009

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

9 Tax income

The tax credit comprises

Year ended 31 December	2009 £000	2008 £000
Foreign taxation	(3)	15
Current taxation	(1)	108
Deferred taxation (Note 10)		
-tax losses available	495	(24)
-other timing differences	65	24
	560	123
	556	123

The tax on Sagentia's losses before tax differs from the theoretical amount that would arise using the weighted average statutory tax rate applicable to profits of the consolidated companies as follows

	2009 £000	2008 £000
Loss before tax	(3,457)	(2,210)
Tax calculated at domestic tax rates applicable to profits(losses) in the respective countries	(968)	(630)
Expenses not deductible for tax purposes	294	624
Income not subject to tax	(83)	(20)
Accelerated capital allowances	(82)	(139)
R&D tax relief	(376)	(228)
R&D tax credit received in respect of prior years	-	(104)
Other temporary differences	28	(5)
Tax losses for which no deferred income tax asset was recognised	631	379
Tax credit	(556)	(123)

The weighted average statutory applicable tax rate was 28 0% (2008 28 5%)
The Group has available tax losses of approximately £56 3m (2008 £68 8m)

10 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority and the intention is to settle net The offset amounts are as follows

	2009 £000	2008 £000
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	2,848	2,633
Deferred tax asset to be recovered within 12 months	280	-
	3,128	2,633
Deferred tax liabilities		
Deferred tax liabilities to be settled after more than 12 months	(2,568)	(2,633)
	(2,568)	(2,633)
Total	560	-

The gross movement on the deferred income tax account is as follows

	2009 £000	2008 £000
Beginning of the year	-	-
Exchange differences	-	-
Income statement credit (Note 9)	560	-
End of year	560	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

10 Deferred income tax (continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows

	Deferred tax liability**	Deferred tax asset*	Total
At 1 January 2008	(2,657)	2,657	-
Charged / (credited) to the income statement	24	(24)	-
Exchange differences	-	-	-
At 31 December 2008	(2,633)	2,633	-
Charged / (credited) to the income statement	65	495	560
Exchange differences	-	-	-
At 31 December 2009	(2,568)	3,128	560

*Tax losses
**Accelerated tax depreciation

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable Deferred taxation amounts provided and not provided in the financial statements are as follows

Group	Provided		Not provided	
	2009	2008	2009	2008
Deferred taxation is attributable to	£000	£000	£000	£000
Accelerated capital allowances	(2,568)	(2,633)	-	-
Tax losses available	3,128	2,633	12,624	16,982
Other timing differences	-	-	96	68
Deferred tax asset	560	-	12,720	17,050
Tax losses relating to deferred tax asset not recognised			45,086	59,586

Company	Provided		Not provided	
	2009	2008	2009	2008
Deferred taxation is attributable to	£000	£000	£000	£000
Tax losses available	-	-	6	4
Other timing differences	-	-	13	2
Deferred tax asset	-	-	19	6
Tax losses relating to deferred tax asset not recognised			21	14

11 Loss per share

The calculations of loss per share are based on the following losses and numbers of shares

	Basic	
	2009	2008
	£000	£000
Loss for the financial year	(2,901)	(2,087)

	2009	2008
Weighted average number of shares	Number	Number
For basic earnings per share	21,542,490	21,575,595
For fully diluted earnings per share	21,840,881	21,683,611

Only the share options granted, as disclosed in note 19, are dilutive Options have no dilutive effect in loss-making years, and hence the diluted loss per share for 2009 is the same as the basic loss per share

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

12 Intangible assets

Group	Software £000
At 1 January 2008	
Cost	14
Accumulated amortisation	(9)
Net book amount	5
Year ended 31 December 2008	
Opening net book amount	5
Amortisation charge	(4)
Closing net book amount	1
At 31 December 2008	
Cost	14
Accumulated amortisation	(13)
Net book amount	1
Year ended 31 December 2009	
Opening net book amount	1
Amortisation charge	(1)
Closing net book amount	-
At 31 December 2009	
Cost	14
Accumulated amortisation	(14)
Net book amount	-

Computer software is amortised on a straight line basis over its estimated useful life of 3 years The annual amortisation charge is recognised in operating expenses of core operations in the income statement

Sagentia Group plc had no intangible assets at the start or end of the year

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

13 Property plant and equipment

Group	Freehold land and buildings £000	Furniture and fittings £000	Equipment £000	Total £000
At 1 January 2008				
Cost	16,682	1,236	3,307	21,225
Accumulated depreciation	(2,559)	(1,023)	(3,069)	(6,651)
Net book amount	14,123	213	238	14,574
Year ended 31 December 2008				
Opening net book amount	14,123	213	238	14,574
Exchange differences on cost	-	15	233	248
Exchange differences on depreciation	-	(14)	(193)	(207)
Additions	-	179	585	764
Disposals	-	-	(712)	(712)
Depreciation charge	(86)	(92)	(193)	(371)
Depreciation on disposals	-	-	712	712
Closing net book amount	14,037	301	670	15,008
At 31 December 2008				
Cost	16,682	1,430	3,413	21,525
Accumulated depreciation	(2,645)	(1,129)	(2,743)	(6,517)
Net book amount	14,037	301	670	15,008
Year ended 31 December 2009				
Opening net book amount	14,037	301	670	15,008
Exchange differences on cost	-	(8)	(51)	(59)
Exchange differences on depreciation	(1)	6	40	45
Additions	-	70	175	245
Disposals	-	(34)	(1,418)	(1,452)
Disposed with subsidiary	-	-	(374)	(374)
Depreciation charge	(85)	(107)	(174)	(366)
Depreciation disposed with subsidiary	-	-	89	89
Depreciation on disposals	-	38	1,160	1,198
Closing net book amount	13,951	266	117	14,334
At 31 December 2009				
Cost	16,682	1,458	1,745	19,885
Accumulated depreciation	(2,731)	(1,192)	(1,628)	(5,551)
Net book amount	13,951	266	117	14,334

The property is held at cost less depreciation Included within land and buildings for Sagentia is freehold land, to the value of £1,360,000 (2008 £1,360,000) which has not been depreciated Cumulative interest capitalised up to 31 December 2003 was £340,000 No further interest has been capitalised since The property was last valued during August 2008 by Savills for Lloyds TSB Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation for the building under a sale and leaseback scenario is £13 75m The directors therefore do not believe that the carrying value of the property is significantly different to its fair value

The property generated rental and services income of £2,200,000 in 2009 (2008 £2,249,000) of which £975,000 (2008 £989,000) was charged to related group companies The interest in freehold land and buildings has been charged as security to the bank loan (see Note 20)

Sagentia Group plc had no fixed assets at the start or end of the year

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

14 Investments

Non-current assets	Group		
Designated at fair value through profit or loss	**Equity investments £000**	**Loans and receivables £000**	**Total £000**
Fair value, January 2008	**5,892**	**1,678**	**7,570**
Additions	-	-	-
Disposals	(216)	(84)	(300)
Change in fair value	(1,590)	(392)	(1,982)
	-	-	-
Foreign exchange	5	(2)	3
Fair value, December 2008	**4,091**	**1,200**	**5,291**
Fair value, January 2009	**4,091**	**1,200**	**5,291**
Additions	-	-	-
Disposals	(447)	-	(447)
Change in fair value	(2,206)	(1,200)	(3,406)
Transfer to non-current assets classified as held for sale	(1,441)	-	(1,441)
Foreign exchange	3	-	3
Fair value, December 2009	-	-	-

Non-current assets for the Company, being investment in Sagentia Group AG of £10,559,000 (2008 £10,559,000) are held at amortised cost

All disposals during the year were for a cash consideration

Financial assets held at fair value include the following

Non-current assets	Group	
Group	2009 £000	2008 £000
Quoted securities		
Cost – equity securities - UK	-	1,268
	-	1,268
Fair value adjustment	-	380
	-	1,648
Unquoted securities		
Cost	-	6,273
Fair value adjustment	-	(3,830)
	-	2,443
Financial assets held at fair value	-	4,091

Quoted securities are listed investments with fair value based on bid prices at the balance sheet date

Unquoted securities are unlisted investments with fair value based on a valuation methodology used most commonly by Sagentia, being as set out by the BVCA as described in note 2, reflecting the early stage nature of the investments

	Group	
Non-current assets classified as held for sale	**Equity investments £000**	**Total £000**
Fair value, January 2008	-	-
Fair value, December 2008	-	-
Fair value, January 2009	-	-
Transfer from non-current asset investments	1,441	1,441
Fair value, December 2009	**1,441**	**1,441**

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

14 Investments (continued)

Disposal of subsidiary undertakings in 2009

Group	Atranova Ltd	Sagentia Public Sector Ltd	Total
	£000	£000	£000
Non-current assets			
- Property, plant and equipment	285	-	285
Current assets	80	32	112
Current liabilities	(726)	(29)	(755)
Total equity	**(361)**	**3**	**(358)**
Change in fair value	361	-	361
Sale proceeds	-	**3**	**3**

Atranova Ltd, issued shares in October 2009 which converted an existing loan of £350,000, which diluted the equity holding in the Group to less than a subsidiary Atranova Ltd incurred a loss after taxation and minority interests of £591,000 before the disposal During 2009, Atranova Ltd utilised £305,000 of Sagentia's net operating cash flows, paid £114,000 in respect of net returns on financial assets and servicing of finance and utilised £Nil for capital expenditure and financial investment

Sagentia Public Sector Ltd shares were sold in December 2009 for an total cash consideration of £3,000, which diluted the equity holding to an investment Sagentia Public Sector Ltd incurred a profit after taxation and minority interests of £16,000 before the disposal During 2009, Sagentia Public Sector Ltd utilised £7,000 of Sagentia's net operating cash flows, paid £Nil in respect of net returns on financial assets and servicing of finance, and utilised £Nil for capital expenditure and financial investment

Group investments

Sagentia held investments in the following subsidiaries and investments at 31 December 2009 To avoid a statement of excessive length, details of investments that are not significant have been omitted

Subsidiary and investments of Sagentia Group plc	Country of incorporation	Principal activity	Shares held	%
Consulting Operations				
Sagentia Group AG	Switzerland	Holding company	Ordinary	99 9
Sagentia Holdings Limited	England	Holding company	Ordinary	100
Sagentia Limited	England	Consultancy	Ordinary	100
Manage5nines Limited	England	IT Consultancy	Ordinary	80
Sagentia Inc	USA	Consultancy	Ordinary	100
Sagentia S-GAI Limited	Hong Kong	Consultancy	Ordinary	100
Venture Subsidiaries				
Sensopad Limited	England	Sensor technology	Ordinary	77
Sagentia Sensors Ltd	England	Sensor technology	Ordinary	77
Investments				
Atranova™ Limited	England	Battery technology	Ordinary	49
Sphere Medical Holding Limited	England	Medical sensor technology	Ords & A's	7
Atraverda™ Limited	England	Battery technology	Ords & A's	8

All subsidiaries for which accounts are provided have year-ends of 31 December

	Group	
Change in fair value on financial assets and other non-current asset movements	**2009 £000**	2008 £000
Non-current assets	(3,406)	(1,982)
Disposal of subsidiaries	361	-
Disposal of own shares	(77)	-
Financial assets held at fair value	(3,122)	(1,982)

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

15 Trade and other receivables

	Company		Group	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Current assets				
Trade receivables	-	-	3,424	5,651
Provision for impairment	-	-	(273)	(226)
Trade receivables - net	-	-	3,151	5,425
Amounts recoverable on contracts	-	-	554	737
VAT	2	6	-	73
Prepayments and accrued income	-	-	295	533
	2	6	4,000	6,768
Current tax asset	-	-	14	80
	2	6	4,014	6,848

All amounts disclosed above are short-term The carrying value of trade receivables is considered a reasonable approximation of fair value

All of Sagentia's trade and other receivables have been reviewed for indicators of impairment Certain trade receivables were considered to be impaired and a provision of £273,000 (2008 £226,000) has been provided in the year In addition, some of the unimpaired trade receivables are past due as at the reporting date

	Company		Group	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Provision brought forward	-	-	226	97
Debts written off	-	-	(51)	(97)
Provision released	-	-	(175)	-
Provision made	-	-	273	226
Provision carried forward	-	-	273	226

The age of financial assets due but not impaired is as follows

	Company		Group	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Not more than 3 months	-	-	**2,974**	5,128
More than 3 months but not more than 6 months	-	-	**114**	255
More than 6 months but not more than 1 year	-	-	**63**	42
More than 1 year	-	-	-	-
	-	-	**3,151**	5,425

16 Cash and cash equivalents

	Company		Group	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Short term bank deposits	-	-	-	-
Cash at bank and in hand	1	-	4,234	5,341
	1	-	4,234	5,341

Of the cash at bank and in hand detailed above, the following amounts are held, principally in our venture subsidiary companies and are for use within those companies

	Group	
	2009 £000	2008 £000
Cash held within venture subsidiary companies	**28**	567

Effective interest rates achieved are shown in Note 3

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

17 Current liabilities

	Note	Company 2009 £000	Company 2008 £000	Group 2009 £000	Group 2008 £000
Trade and other payables - current					
Payments received on account		-	-	1,775	2,439
Trade payable		13	23	638	1,258
Loans from minorities to subsidiaries		-	-	-	502
Other taxation and social security		27	42	391	528
Amounts owed to group undertakings	23	21	496	-	-
VAT		-	-	168	122
Accruals		86	25	1,354	2,077
		147	586	4,326	6,926
Bank loans and overdrafts	20	-	1	-	113
Current tax liabilities		-	-	57	-
		147	587	4,383	7,039

18 Other non-current liabilities

	Note	Company 2009 £000	Company 2008 £000	Group 2009 £000	Group 2008 £000
Loans from minorities to subsidiaries	20	-	-	427	430
Bank loans	20	-	-	6,500	9,000
		-	-	6,927	9,430
Other creditors		-	-	173	90
Fair value of interest rate swap		-	-	351	489
Deferred income tax liabilities		-	-	2,050	2,633
		-	-	9,501	12,642

Loans from minorities to subsidiaries and bank loans
See explanation per note 20

Fair value of interest rate swap
The interest rate swap was used to separately fix the interest rate on the original floating rate mortgage over the property at Harston Mill at 6 1% The swap matched the original repayment schedule envisaged over 10 years from £8 0m to £2 5m The loan balance was expected to be, and hence the amount covered by the Swap agreement is, £3 9m at the end of 2009 (2008 £4 4m)

19 Called-up share capital

	2009 £000	2008 £000
Authorised		
Ordinary shares of £0 01 each	465	464
Convertible preference shares of £1 00 each	-	50
Allotted, called-up and fully paid		
Ordinary shares of £0 01 each	217	216
Convertible preference shares of £1 00 each	-	50
	Number	**Number**
Authorised		
Ordinary shares of £0 01 each	46,534,390	46,386,390
Convertible preference shares of £1 00 each	-	50,000
Allotted, called-up and fully paid		
Ordinary shares of £0 01 each	21,723,595	21,575,595
Convertible preference shares of £1 00 each	-	50,000

Sagentia Group plc was incorporated in England and Wales on 17 March 2008 Authorised share capital on incorporation comprised 46,386,390 ordinary shares of £0 01 each and 50,000 convertible preference shares of £1 each

Of the ordinary shares issued in 2009, 100,695 were issued over 3 tranches before 30 April 2009 as part of the Sagentia Group plc offer for Sagentia Group AG, where 1 Sagentia Group plc share was exchanged for 10 Sagentia Group AG shares

The convertible preference shares were converted at the year-end into 148,000 ordinary shares

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

19 Called-up share capital (continued)

Reconciliation of options in grant	2009 No	2009 Weighted average exercise price (p)	2008 No	2008 Weighted average exercise price (p)
At beginning of year	2,559,485	27 9	-	-
Granted during year	1,295,000	16 0	1,587,654	17 5
Lapsed during the year	(720,000)	17 5	-	-
Issued in exchange for Sagentia Group AG options	-	-	971,831	45 0
At end of year	3,134,485	25 4	2,559,485	27 9

No options were exercised in 2009 or 2008

Exercise of an option is subject to continued employment, and normally lapse upon leaving employment, although this period may be extended where an employee is deemed a 'good leaver' Options were valued using the Black-Scholes option-pricing model No performance conditions were included in the fair value calculations, expected dividends were assumed to be nil, possibility of ceasing employment before vesting was assumed to be nil The risk free rate was taken as 3 0% Volatility is taken from data over an appropriate time period, *usually being a 100 day* rolling average Other assumptions which varied with the option issue are given in the table below The total charge for the year under the Black-Scholes model relating to employee share based payment plans was £170,000 (2008 £170,000), all of which related to equity-settled share based payment transactions After deferred tax the total charge was £170,000 (2008 £170,000) *The fair value per option granted* and the assumptions used in the calculation are as follows

At 31 December 2009, options granted to subscribe for ordinary shares of the company are as follows

Date of grant	Option exercise period *From (a)*	*To*	Number of shares under option *Approved scheme*	*Unapproved scheme*	*Exercise Price (pence) (b)*	*Fair Value of options (pence)*	*Expected Life (years)*	Volatility
Dec 2007	Dec 2009	Dec 2017	-	826,986	45 0	28 8	10	58%
Mar 2008 (c)	Mar 2010	Mar 2018	-	144,845	45 0	28 8	10	58%
Nov 2008	Nov 2011	Nov 2018	763,741	103,913	17 5	9 9	10	42%
Oct 2009	Oct 2012	Oct 2019	166,666	83,334	17 5	10 3	10	42%
Dec 2009	Dec 2012	Dec 2019	795,000	250,000	15 5	8 8	10	42%
			1,725,407	1,409,078				

(a) Subject to earlier exercise in certain limited circumstances
(b) The exercise price is also the share price at date of grant
(c) Originally issued as options over Sagentia Group AG shares

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

20 Borrowings

Group	Note	2009 UK £000	2009 Foreign £000	2009 Total £000	2008 UK £000	2008 Foreign £000	2008 Total £000
Non-current							
Bank borrowings	18	6,500	-	6,500	9,000	-	9,000
Loans from minorities to *subsidiaries*	18	427	-	427	430	-	430
		6,927	-	6,927	9,430	-	9,430
Current							
Bank borrowings	17	-	-	-	-	113	113
Total borrowings		6,927	-	6,927	9,430	113	9,543

Company	Note	2009 UK £000	2009 Foreign £000	2009 Total £000	2008 UK £000	2008 Foreign £000	2008 Total £000
Non-current							
Bank borrowings	18	-	-	-	-	-	-
Loans from minorities to subsidiaries	18	-	-	-	-	-	-
		-	-	-	-	-	-
Current							
Bank borrowings	17	-	-	-	1	-	1
Total borrowings		-	-	-	1	-	1

As at 31 December 2009, Group companies have granted charges over their assets to secure a five year bank loan from May 2006 for £9 0m (2008 £9 0m) for Sagentia Holdings Ltd The loan is subject to certain undertakings of the borrower including that the amount drawn shall not exceed 85% of the value of the charged security and that the loan doesn't exceed 70% of consolidated net worth These undertakings remain satisfied

Of the current bank loans and overdrafts, at 31 December 2009, £6,500,000 (2008 £9,000,000) has been drawn down and is repayable by Sagentia Holdings Ltd to Lloyds TSB Bank Plc, and £nil (2008 £113,000) is repayable on call by Sagentia Catella AB

Loans from minorities to venture subsidiaries are usually non interest bearing and repayable on call They are shown in current borrowings, although they are unlikely to be able to be recalled within 12 months

In accordance with an agreed repayment schedule with the bank, bank loans and overdrafts are repayable to Lloyds TSB Bank plc as follows

	Company 2009 £000	Company 2008 £000	Group 2009 £000	Group 2008 £000
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	-	-	6,500	9,000
Over 5 years	-	-	-	-
	-	-	6,500	9,000

An interest rate swap has fixed approximately half of the loan at an interest rate at 6 13% plus bank charges of 1%, which is payable quarterly The remainder is at Lloyds TSB Bank plc base rate + 0 8%

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

21 Commitments

Lease commitments

The minimum annual rentals under non-cancellable operating leases are as follows

	Company		Group	
Plant and equipment lease commitments	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Operating lease payments				
-Within one year	-	-	**32**	46
-Between one and five years	-	-	**11**	41
Property lease rentals				
Operating lease payments				
- Within one year	-	-	**23**	376
-Between one and five years	-	-	**135**	369

22 Capital and other financial commitments

At 31 December 2009 the Group and the Company had commitments of £Nil (2008 £Nil) The Group had a committed un-drawn loan facility of £2 5m at 31 December 2009 (2008 £Nil)

At 31 December 2009, the Group had a 5 year loan facility of £9 0m secured on Harston Mill, Cambridge, UK, of which £6 5m (2008 £9 0m) had been drawn down This facility is repayable in March 2011 as detailed in Note 20 The Company has no loan facility at 31 December 2009 (2008 £Nil)

23 Related party transactions

The Group provides support, IT and consultancy services to its subsidiaries and made loans, all of which eliminate on consolidation, and are therefore not disclosed

The Company held intercompany balances, and charged management fees as follows

Company	2009 Loans £000	2009 Sale of goods and services £000	2008 Loans £000	2008 Sale of goods and services £000
Sagentia Ltd	**21**	**900**	496	300
Sagentia Holdings Ltd	-	**450**	-	-
	21	**1,350**	496	300

Key personnel are the executive directors and non executive directors of Sagentia Remuneration to key personnel is disclosed in note 8

24 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

24 1 Critical accounting estimates and assumptions

Sagentia makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

(a) Fair value of investments

Sagentia tests regularly whether investments, deferred consideration receivable or other loans have suffered any impairment, in accordance with the accounting policy stated in Note 2 The recoverable amounts have been determined based on BVCA calculations These calculations require the use of estimates and assumptions on both the recoverability of the loans or deferred consideration receivable and ability to dispose of the asset for value on an individual investment basis

(b) Project accounting

Sagentia undertakes a number of fixed price consultancy projects The state of completeness of each project, and hence, revenue recognised, requires the use of estimates The value of work done is calculated based on proportion of time spent on the project or value of stage gates achieved as set out in the project

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

25 Principal risks and uncertainties facing Sagentia

In additional to the financial and trading risks discussed in Note 3, the Directors consider that the operational risks, of the business include

Risk of increased competition

Sagentia may face significant competition, both actual and potential, including competition from competitors with greater
capital resources than those of Sagentia One or more of these competitors may be able to provide products and services which are more effective, economically viable or advanced than those provided by Sagentia or may undertake an aggressive pricing policy There is no assurance that Sagentia will be able to compete successfully in such a market place In particular, the market in which the Sagentia conducts its business may require it to reduce its prices If Sagentia's competitors offer discounts on certain products or services in an effort to recapture or gain market share or
to sell products and services, Sagentia may be required to lower prices or offer other favourable terms to compete successfully Any such changes would be likely to reduce the Sagentia's margins and could adversely affect Sagentia's operating results

Failure to retain, or loss of, customer contracts

Sagentia operates with a forward order book which runs on average across the business approximately 8 to 14 weeks Loss of key customer contracts will reduce the order book towards 8 weeks and could lead to loss of consulting utilisation efficiency and, therefore, profitability

Potential downturn in the market for outsourced product and service development

Sagentia is dependent on the global market for outsourced product and service development Economic downturn or instability may cause customers to delay decisions to commit to large product or service development projects, or to use internal resources to achieve their business goals

Dependence on key personnel

Sagentia's business depends on recruiting and retaining technical experts on whom the business depends to deliver product and service innovation Failure to replace or hold on to key staff can threaten the business's ability to deliver projects to its clients to win work

Project over-run or failure to meet technical milestones

Sagentia is vulnerable to projects over-running and/or failure to meet technical milestones because the nature of the work which Sagentia undertakes is technically challenging Project over-run can lead to loss of margin on projects and overall profitability for the consulting business Management recognises this uncertainty by conducting a rigorous exercise at the year-end to ensure that the revenue recognised on contracts in progress during the year is a fair representation of actual costs incurred and estimated costs to completion

Product liability claims or other warranty and indemnity claims in respect of contractual obligations

Sagentia is involved in the creation, development and delivery of innovative products This involves design and product development which can be technically challenging While Sagentia maintains product liability and professional indemnity insurance, it is not always possible to protect Sagentia against all risks, which may lead to product liability claims or other
warranty and indemnity claims in respect of contractual obligations

Infringement of third party IP rights

Third parties may have filed applications for, may have been granted patents for, or may acquire patents and other proprietary rights that may cover Sagentia's existing or future products or technologies If Sagentia is sued for infringement Sagentia may be forced to stop selling or manufacturing any infringing products and may be liable to pay damages for patent infringement

Failure of licensees to successfully exploit licensed technology

Where Sagentia licences its intellectual property rights, future royalty payments are often dependent on achievement of certain product and transaction volumes which are outside of Sagentia's control

Loss of value or liquidation of portfolio companies

Sagentia's strategy is to exploit intellectual property and other technology assets through licence, design and build and transaction fee income Sagentia is unlikely to invest in or necessarily support its venture portfolio companies through their funding rounds Where portfolio companies are dependent solely upon Sagentia for funding, this may threaten their financial position Moreover, as Sagentia is likely to adopt a passive position in future financings, the valuation of its residual holding may reduce as Sagentia is diluted by the investment made by new shareholders Consequently cashflows of Sagentia relating to disposal of investments may vary significantly Sagentia seeks to maintain access to sufficient funds via its own cash balances and loans that may be drawn upon in order to compensate for this

Currency exchange rates

Sagentia's work involves delivering projects with overseas clients who may insist on being invoiced in foreign currency As project timetables cannot be guaranteed, Sagentia cannot fully protect its position and foreign currency exposure

Changes in legislation relating to trading

Sagentia operates in the life science sector which is heavily regulated Any future changes which are made in legislation or regulations which affect or relate to trading arrangements between Sagentia and its customers could have an adverse effect on the business of Sagentia

Notes to the Financial Statements (continued)

For the year ended 31 December 2009

25 Principal risks and uncertainties facing Sagentia (continued)

Fluctuation in the market price of quoted portfolio companies

Sagentia's portfolio includes a number of investments which are quoted or may become quoted in the future Quoted investments are held on Sagentia's balance sheet at the mid-market price as at the balance sheet date The market price of quoted portfolio companies is liable to fluctuation which may have a material impact on the financial statements of Sagentia and its balance sheet strength Public traded securities from time to time experience significant price and volume fluctuations which will be beyond the Sagentia's control

Financial instruments

Sagentia's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk This is explained in more detail in Note 3 to the financial statements