

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser. This document has been prepared for the purposes of paragraph 1.2.2R(2) of the Prospectus Rules published by the Financial Services Authority. This document also comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies.**

If you have sold or otherwise transferred all of your Sagentia Switzerland Shares or Sagentia Switzerland CDIs, please forward this document, together with the accompanying documents, at once, to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia, South Africa or Japan or any other jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Sagentia and the Directors, whose names appear on page 10 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of Sagentia and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

The attention of shareholders is drawn to the risk factors set out on pages 6 to 8 of this document.

---

Issue of up to 23,193,210 ordinary shares of 1p each in Sagentia Group plc  
in connection with the Offer by

**Sagentia Group plc**

for

**Sagentia Group AG**

**Admission of Sagentia Group plc to AIM**

**Arbuthnot Securities Limited**



ARBUTHNOT

*Nominated Adviser and Broker to Sagentia Group plc and financial adviser and broker to Sagentia Group AG*

---

#### SHARE CAPITAL

The following table shows the authorised and issued share capital of the Company immediately following Admission assuming acceptance of the Offer in full:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount £</i>		<i>Number</i>	<i>Amount £</i>
46,386,390	463,863.90	Ordinary Shares of 1p each	23,193,212	231,932.12
50,000	50,000	Convertible Preference Shares of £1 each	50,000	50,000

---

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UKLA.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The whole of the text of this document should be read and your attention is drawn to the section entitled "Risk Factors" of this document for a discussion of certain factors which should be taken into account in considering whether or not to accept the Offer and acquire Ordinary Shares. The whole of this document should be read in light of those risk factors.

Arbuthnot, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, has agreed to act as nominated adviser and broker to Sagentia and is acting as financial adviser to Sagentia Switzerland and Sagentia and as broker to Sagentia Switzerland in connection with the Offer and Admission. Persons receiving this document should note that, in connection with the Offer and Admission, Arbuthnot is acting exclusively for the Company and Sagentia Switzerland and no-one else. It will not be responsible to anyone other than the Company and Sagentia Switzerland for providing the protections afforded to customers of Arbuthnot or for advising any other person on the transactions and arrangements described in this document.

This document does not constitute an offer to sell, or a solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) or under the securities legislation of any state of the United States of America or any province or territory of Canada, Australia, South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into the United States of America, Canada, Australia, South Africa or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, South Africa or Japan.

**Copies of this document are available free of charge from the registered office of Sagentia, Harston Mill, Harston, Cambridge, Cambridgeshire CB22 7GG and the offices of Arbuthnot, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR.**

# CONTENTS

	<i>Page No.</i>
Summary	3
Risk Factors	6
Expected Timetable of Principal Events	9
Statistics	9
Directors, Secretary and the Advisers to the Company	10
PART I The Offer and the Existing Sagentia Group	11
1 Introduction	11
2 History of the Existing Sagentia Group	11
3 The Existing Sagentia Group's Principal Activities	12
4 The Market	14
5 The Offer	14
6 New Option Scheme	15
7 Sagentia Directors and Senior Managers	16
8 Current Trading Prospects	17
9 Financial Information	19
10 Operating and Financial Review – Summary	19
11 Dividend and Dividend Policy	20
12 Bank Facilities	20
13 Accounting Policies	20
14 Corporate Governance and Internal Controls	20
15 Procedure for Acceptance of the Offer and Settlement	22
16 Further Information	22
17 The Takeover Code	23
Part II Operating and Financial Review	24
Part IIIA Historical Financial Information on Sagentia Switzerland	29
Part IIIB Financial Information on Sagentia	77
Part IV Conditions and Further Terms of the Offer	78
Section A: Conditions of the Offer	78
Section B: Further Terms of the Offer	80
Section C: Form of Acceptance and Assignment	85
Section D: Instructions on how to accept the Offer, and other information	89
Part V Additional Information	91
Part VI Definitions	119

## SUMMARY

This summary should be read as an introduction only to this document and any decision to accept the Offer or otherwise invest in the Company should be based on consideration of this document as a whole by the investor. Investors should note that if a claim relating to the information contained in this document is brought by an investor before a court, the investor bringing the claim might, under the national legislation of the EEA States, have to bear the costs of translating the document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

### **Introduction**

On 4 March 2008, the Sagentia Switzerland Directors announced their intention to enable existing Sagentia Switzerland Shareholders to transfer their share ownership from a company incorporated in Switzerland to one incorporated in England and Wales, to cancel Sagentia Switzerland's listing on the Official List and admission to trading on the London Stock Exchange's market for listed securities and to have shares in the new holding company admitted to trading on AIM. Accordingly on 11 June 2008, the Sagentia Board announced the terms of the Offer made by Sagentia for the entire issued and to be issued ordinary share capital of Sagentia Switzerland.

The Directors of Sagentia and the Directors of Sagentia Switzerland believe that the Proposals will, if completed, make the corporate structure easier for investors and potential investors to understand, reduce costs associated with being on the Official List and having the Existing Sagentia Group's holding company incorporated in Switzerland, and give the Company more corporate flexibility going forwards.

Depending on the level of acceptances of the Offer, under Swiss law, Sagentia may not have the right to compulsorily acquire those Sagentia Switzerland Shares in respect of which the Offer is not accepted; as a result it is unlikely that, following the Offer being declared unconditional in all respects, Sagentia will own 100 per cent. of the Existing Sagentia Group and could own as little as 75 per cent. of the Existing Sagentia Group. Sagentia reserves the right, in exceptional circumstances and with the consent of Arbuthnot, to declare the Offer unconditional at a level of acceptances below 75 per cent.

Further announcements as to the level of acceptances of the Offer received, and therefore Sagentia's holding in Sagentia Switzerland, will be made to the market as appropriate.

Catella currently owns 48.8 per cent. of Sagentia Switzerland's issued share capital. As a result of the Offer, Catella will own a minimum of 48.8 per cent. of Sagentia's issued share capital and, taking into account only the irrevocable undertakings to accept the Offer, up to 76.8 per cent. Catella has entered into an agreement with Sagentia governing its relationship as a substantial shareholder.

### **Sagentia's Principal Activities**

Sagentia is a newly-formed public limited company incorporated in England and Wales set up for the purpose of making the Offer to acquire the entire issued and to be issued ordinary share capital of Sagentia Switzerland and implementing the other proposals described in this document.

### **The Existing Sagentia Group's Principal Activities**

The Existing Sagentia Group is an international technology consulting organisation, helping its clients to create, develop and deliver business opportunities, products and services.

Over the last 18 months, management has moved the Existing Sagentia Group from an integrated consulting and venturing business to one focussed primarily on growing a profitable technology consulting business. Moving forwards, although the business will focus on its core technology consulting capability, it will continue to exploit its own technology and intellectual property by seeking to generate future non-consulting income in the form of royalties and transaction fees derived from technology licensing, design and build and managed service applications rather than through the creation of technology spin-out ventures.

The Existing Sagentia Group is organised into four divisions:

*Consulting and IP* activities are carried out through Sagentia Ltd, a wholly-owned subsidiary of the Existing Sagentia Group, which has operations in the UK, Germany, USA, Sweden and Hong Kong. The business offers customised product and process solutions as well as advice on new technology opportunities to a wide range of international clients.

*Venture subsidiaries* comprise spin-out companies formed principally around technology developed by the Existing Sagentia Group. The Existing Sagentia Group realises value from its venture subsidiaries through initial public offerings or trade sales.

*Asset management* activities are carried on through Chord Capital Ltd, a company authorised and regulated by the FSA, which manages certain investments within the Existing Sagentia Group on a non-discretionary basis, and manages or advises on investments for two separate independent funds.

*Property and centre* comprises the Existing Sagentia Group's 79,000 square feet freehold property in Harston, Cambridge and central costs including the Board, the Existing Sagentia Group's IT infrastructure business (managed by its subsidiary Manage5Nines Ltd) and costs relating to Sagentia Switzerland's admission to the Official List and admission to trading on the London Stock Exchange market for listed securities.

The Existing Sagentia Group's strategy is to grow profitably its technology consulting and IP activities, to optimise the return from the freehold property, to reduce central costs and to trade through its portfolio of venture investments within existing cash resources.

## **The Offer**

Sagentia is offering to acquire all of the Sagentia Switzerland Shares, issued and to be issued, on the following basis:

### **for every ten Sagentia Switzerland Shares: one New Sagentia Share**

Entitlements to fractions of a New Sagentia Share will be rounded up to the nearest whole number of New Sagentia Shares.

Full acceptance of the Offer (and no exercise of options) would result in the issue of up to 21,596,573 New Sagentia Shares, representing (together with the two existing issued Sagentia Shares) 100 per cent. of the Sagentia Issued Share Capital. A holder of Sagentia Switzerland CDIs or of Sagentia Switzerland Shares held through a nominee should note that his entitlement in relation to fractions of New Sagentia Shares will depend on his contractual arrangements with Euroclear or the relevant nominee in question.

## ***Irrevocable Undertakings***

Sagentia has received irrevocable undertakings to accept the Offer in respect of, in aggregate, for 136,923,416 Sagentia Switzerland Shares, representing 63.4 per cent. of the issued share capital of Sagentia Switzerland, including 17,886,324 Sagentia Switzerland Shares held by Directors of Sagentia and Sagentia Switzerland.

## **Risk Factors**

The Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group, its operating results and financial condition could be materially and adversely affected by a number of risks relating to the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group and its business. As a result the value of an Ordinary Share could decline and investors could lose part or all of their investment. The Directors consider that the risks could include:

- increased competition;
- failure to retain or loss of customer contracts;
- potential downturn in the market for outsourced product and service development;

- dependence on key personnel;
- project over-run or failure to meet technical milestones;
- product liability claims or other warranty and indemnity claims in respect of contractual obligations;
- infringement of third party IP rights;
- failure of licensees to successfully exploit licensed technology;
- loss of value or liquidation of portfolio companies;
- currency exchange rates;
- changes in legislation relating to trading; and
- fluctuation in the market price of quoted portfolio companies.

## **RISK FACTORS**

**In addition to all other information set out in this document, Sagentia Switzerland Shareholders and potential investors in the Company should carefully consider the risk factors below before making a decision to accept the Offer or invest in the Company. If any of the following risks were to materialise, the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group's business, financial condition, results or future operations could be materially and adversely affected. In such circumstances, the price of the Sagentia Shares could decline and investors could lose all or part of their investment. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

The Directors have identified the following material risks which do not necessarily comprise all those associated with an investment in the Company and are not set out in any order of priority. Additional risks and uncertainties currently unknown to the Company (such as changes in legal, regulatory or tax requirements), or which the Company currently believes are immaterial, may also have a material adverse effect on its financial condition or prospects or the trading price of an Ordinary Share.

### **Risk of increased competition**

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

### **Failure to retain or loss of customer contracts**

The Existing Sagentia Group 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 and therefore profitability.

### **Potential downturn in the market for outsourced product and service development**

The Existing Sagentia Group 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**

The Existing Sagentia Group'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 and to win work.

### **Project over-run or failure to meet technical milestones**

The Existing Sagentia Group is vulnerable to projects over-running and/or failure to meet technical milestones because the nature of the work which the Existing Sagentia Group undertakes is technically

challenging and clients' specifications where they relate to new product development are liable to frequent change. Project over-run can lead to loss of margin on projects and overall profitability for the consulting business.

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

The Existing Sagentia Group is involved in the creation, development and delivery of innovative products. This involves design and product development which can be technically challenging. While the Existing Sagentia Group maintains product liability and professional indemnity insurance, it is not always possible to protect the Existing Sagentia Group 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 the Existing Sagentia Group's existing or future products or technologies. If the Existing Sagentia Group or, after completion of the Acquisition, the New Sagentia Group is sued for infringement the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group 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 the Existing Sagentia Group licences its intellectual property rights, future royalty payments are often dependent on achievement of certain product and transaction volumes which are outside of the Existing Sagentia Group's and, after completion of the Acquisition, the New Sagentia Group's control.

#### **Loss of value or liquidation of portfolio companies**

The Existing Sagentia Group's and, after completion of the Acquisition, the New Sagentia Group's strategy is to exploit intellectual property and other technology assets through licence, design and build and transaction fee income. The Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group is unlikely to invest in or necessarily support its venture portfolio companies through their funding rounds. Where portfolio companies are dependent solely upon the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group for funding, this may threaten their financial position. Moreover, as the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group is likely to adopt a passive position in future financings, the valuation of its residual holding may reduce as the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group is diluted by the investment made by new shareholders.

#### **Currency exchange rates**

The Existing Sagentia Group's work involves delivering projects with overseas clients who may insist on being invoiced in foreign currency. As project timetables cannot be guaranteed, the Existing Sagentia Group and, after completion of the Acquisition the New Sagentia Group cannot fully protect its position and foreign currency exposure.

#### **Changes in legislation relating to trading**

The Existing Sagentia Group 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 the Existing Sagentia Group and its customers could have an adverse effect on the business of the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group.

#### **Fluctuation in the market price of quoted portfolio companies**

The Existing Sagentia Group's portfolio includes a number of investments which are quoted or likely to be quoted in the future. Quoted investments are held on the Existing Sagentia Group'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 the Existing Sagentia Group and, after completion of the Acquisition, the New Sagentia Group and its balance sheet strength. Public traded securities from time to time experience significant price and volume fluctuations which will be beyond the Existing Sagentia Group's and, after completion of the Acquisition, the New Sagentia Group's control.

#### **Shares eligible for future sale**

Sagentia cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial numbers of Ordinary Shares in the public market, or the perception that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for Sagentia Shareholders to sell their Ordinary Shares at a time and price which they deem appropriate.

#### **AIM**

Application will be made for all the New Sagentia Shares to be issued pursuant to the Offer to be admitted to trading on AIM upon completion of the Offer. The Sagentia Switzerland Shares are currently admitted to the Official List and to trading on the London Stock Exchange's market for listed securities.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. In particular, shares in AIM companies may be less liquid than those traded in Official List companies. AIM securities are not admitted to the Official List of the UK Listing Authority. Sagentia Switzerland Shareholders who are considering whether to accept the Offer should be aware of these risks and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.



## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2008

Publication of Offer Document and this document and posting of Offer Document to Sagentia Switzerland Shareholders	11 June
Latest time and date for acceptance of the Offer	2 July
Admission	8 July

Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Arbuthnot. All times are London times.

## STATISTICS

Number of existing Ordinary Shares	2
Maximum number of Ordinary Shares to be issued pursuant to the Offer	23,193,210
Market capitalisation on Admission at 4.88p per share <sup>1</sup>	£10.5 million
Ordinary Share RIC code	SAG.L
Ordinary Share ISIN number	GB00B39GTJ17

<sup>1</sup> Note: assumes full acceptance of the Offer (including full acceptance in respect of all Sagentia Switzerland Shares issued upon full exercise of the Sagentia Switzerland Options), is based on the mid-market quotation for the Sagentia Switzerland Shares of 4.88 pence at 10 June 2008 being the last practicable Business Day prior to the day of announcement, and includes treasury shares.

### Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding Sagentia’s, Sagentia Switzerland’s, the Existing Sagentia Group’s and the New Sagentia Group’s intentions, beliefs or current expectations concerning, among other things, Sagentia’s, Sagentia Switzerland’s, the Existing Sagentia Group’s and the New Sagentia Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which Sagentia, Sagentia Switzerland, the Existing Sagentia Group and the New Sagentia Group operate. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances.

A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, market position of Sagentia, Sagentia Switzerland, the Existing Sagentia Group and the New Sagentia Group, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this document. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Prospectus Rules, applicable law or the AIM Rules for Companies neither Sagentia nor Arbuthnot undertakes any obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise. Sagentia Switzerland Shareholders who are considering whether to accept the Offer and potential investors in the Company should not place undue reliance on forward-looking statements, which speak only as of the date of this document. None of the statements made in this section “Forward-looking statements” in any way obviates the requirements to comply with the Prospectus Rules, the Disclosure and Transparency Rules, the Listing Rules or the FSMA.

## DIRECTORS, SECRETARY AND ADVISERS TO THE COMPANY

<b>Directors</b>	Dr Christopher Masters Dr Alistair Brown Guy McCarthy Staffan Ahlberg Lars Kylberg Daniel Flicos
<b>Registered Office</b>	Harston Mill Harston Cambridge CB22 7GG
<b>Company Secretary</b>	Guy McCarthy
<b>Financial Adviser, Nominated Advisor and Broker</b>	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
<b>Solicitors to the Company</b>	Taylor Wessing LLP Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0DX
<b>Auditors</b>	Grant Thornton UK LLP Chartered Accountants Grant Thornton House Kettering Parkway Kettering NN15 6XR
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>Financial Public Relations</b>	Hansard Communications Limited 14 Kinnerton Place South London SW1X 8EH

## PART I

### The Offer and the Existing Sagentia Group

#### 1. Introduction

The Sagentia Board announced on 11 June 2008 the terms of the recommended Offer to be made by Sagentia for the entire issued and to be issued ordinary share capital of Sagentia Switzerland.

Sagentia Switzerland is an international technology consulting organisation, helping its clients to create, develop and deliver business opportunities, products and services. Through its offices in Cambridge (UK), Frankfurt (Germany), Stockholm (Sweden), Maryland (USA), and Hong Kong (China) the Existing Sagentia Group markets its services across a wide range of international clients, from start-ups to multinationals.

Sagentia is a newly-formed public limited company incorporated in England and Wales, formed for the express purpose of making the Offer to acquire the entire issued and to be issued ordinary share capital of Sagentia Switzerland and implementing the other Proposals described in this document and in the Offer Document.

The Directors of Sagentia and the Directors of Sagentia Switzerland believe that the Proposals will, if completed, make the New Sagentia Group's corporate structure easier for investors and potential investors to understand, reduce costs associated with being on the Official List and having the Existing Sagentia Group's holding company incorporated in Switzerland, and give the Company more corporate flexibility going forwards.

Depending on the level of acceptances of the Offer, under Swiss law, Sagentia may not have the right to compulsorily acquire those Sagentia Switzerland Shares in respect of which the Offer is not accepted. As a result, it is unlikely that upon completion of the Acquisition, Sagentia will own 100 per cent. of the Existing Sagentia Group and could own as little as 75 per cent. of the Existing Sagentia Group. Sagentia reserves the right, in exceptional circumstances and with the consent of Arbuthnot, to declare the Offer unconditional at a level of acceptances below 75 per cent.

Further announcements as to the level of acceptances of the Offer received, and therefore Sagentia's holding in Sagentia Switzerland, will be made to the market as appropriate.

Catella currently owns 48.8 per cent. of Sagentia Switzerland's issued share capital. As a result of the Offer, Catella will own a minimum of 48.8 per cent. of Sagentia's issued share capital and, taking into account only the irrevocable undertakings to accept the Offer, up to 76.8 per cent. Catella has entered into an agreement with Sagentia governing its relationship as a substantial shareholder.

#### 2. History of the Existing Sagentia Group

In 1987 the Generics Group AG ("Generics") and its wholly owned subsidiary Scientific Generics Ltd were founded by Professor Gordon Edge as integrated technology consulting and investment organisations, based in Cambridge. Catella AB was one of the first subscribers for shares, outside of individual founders, in Generics.

During the course of 1988 and 1989, Generics raised £2.2 million from third party institutions including Richard Rogers Partnership, Rothschilds Nominees and Catella AB.

Catella AB (previously known as Catella Holding AB) purchased a controlling interest in Generics in February 1996, acquiring shares from selling institutions. In November 1996, Catella AG was incorporated in Switzerland by Catella AB. In November 1998 Catella AG changed its name to The Generics Group AG and was interposed as the holding company of Generics.

The Generics Group AG was listed on the Official List in December 2000 raising £46,400,000 by way of a placing with institutions before repaying a loan to Catella AB of £7,200,000. Following admission to the

Official List and after exercise of the over-allotment option, Catella AB and Gordon Edge owned respectively 48.81 per cent. and 9.3 per cent. of The Generics Group AG.

At the time of The Generics Group AG's admission to the Official List in December 2000 the group's business model was based on an integrated and innovative approach around technology consultancy, the creation and commercialisation of intellectual property and technology investment activities both in the The Generics Group AG's own spin-outs and also in respect of third parties.

The external markets for technology consulting services and early stage investment were difficult in the period from 2001 to 2003, leading to reduced turnover from £15.1 million in 2000 to £13.4 million in 2003 and requiring increased investment to sustain spin-out ventures with substantially reduced liquidity in venture capital markets. The combination of these factors, together with completion of the building programme at Harston, necessitated a 1 for 1 rights issue in May 2004 raising £7,270,000 net of expenses.

In September 2003, Martin Frost was appointed to a joint role of Managing Director and Finance Director. Thereafter, the Existing Sagentia Group stopped investing in third parties and focussed on rebalancing its investment and consulting activities to preserve value in its investment portfolio and return its consulting activities to profitability.

In the period from 2004 to 2007, the Existing Sagentia Group increased its turnover, primarily through the increase in consulting activity, from £15.8 million to £23.0 million, admitted CMR Fuel Cells plc and TurfTrax plc to trading on AIM and sold its spin-out companies Sensopad Ltd and Intrasonics Ltd.

During 2006, the Existing Sagentia Group invested in the creation of a new brand identity for its consulting services and The Generics Group AG changed its name to Sagentia Group AG in October 2006.

In the Existing Sagentia Group's final results for the year ended 31 December 2007 the Board announced the improved performance of its consulting activities which returned to profitability in the second half of the year. At the same time the Board announced its intention to discontinue its venture activity and to continue to focus on building a profitable consulting and licensing business under a new CEO, Dr. Alistair Brown.

### **3. The Existing Sagentia Group's Principal Activities**

#### ***Overview***

The Existing Sagentia Group is an international technology consulting organisation, helping its clients to create, develop and deliver business opportunities, products and services.

The Existing Sagentia Group is organised into four divisions.

*Consulting and IP* activities are carried out through Sagentia Ltd, a wholly-owned subsidiary of the Existing Sagentia Group which has operations in the UK, Germany, USA, Sweden and Hong Kong. The business offers customised product and process solutions as well as advice on new technology opportunities to a wide range of international clients, from start-ups to multinationals. The consulting and IP business employs the vast majority of the employees within the Existing Sagentia Group, and the Sagentia Directors expect it to continue to deliver profitable growth.

*Venture subsidiaries* comprise spin-out companies formed principally around technology developed by the Existing Sagentia Group. The scale of this venture activity will reduce as the business focuses on exploiting technology through licensing and collaboration with the Existing Sagentia Group's consulting clients. It is the current intention of the Existing Sagentia Group and, after completion of the Acquisition, of the New Sagentia Group not to add new investments to the existing investment portfolio.

*Asset management* activities are carried on through the wholly-owned Chord Capital Ltd, a company authorised and regulated by the Financial Services Authority, which manages certain investments within the Existing Sagentia Group on a non-discretionary basis, and manages or advises on investments for two separate independent funds. Chord Capital Ltd employs two people. The Directors intend that Sagentia Switzerland sells its interest in Chord Capital Ltd in the short term.

*Property and centre* comprises the Existing Sagentia Group's 79,000 square feet freehold property in Harston, Cambridge and central costs including the Board, the Existing Sagentia Group's information technology infrastructure business (which is managed by its subsidiary Manage5Nines Ltd). The Existing Sagentia Group's UK headquarters is now substantially let, with Sagentia Ltd occupying 37,000 square feet on an arm's length basis.

The Existing Sagentia Group's and, following completion of the Acquisition, the New Sagentia Group's strategy is to grow its technology consulting and IP activities, to optimise the return from the freehold property, to reduce listing and other central costs and to trade through its portfolio of venture investments within existing cash resources.

### ***Consulting and IP division***

The Existing Sagentia Group's consulting and IP business is organised internally as follows:

#### *Product Development*

The Product Development division develops multi-disciplinary products for an international client base in the medical, industrial and consumer product sectors. The work of the division is characterised by the need to combine commercial acumen, innovation, engineering prowess and applied science throughout the development process.

The business covers the entire product development lifecycle. The Existing Sagentia Group's expertise spans front end offerings such as opportunity discovery through to volume manufacture – with teams routinely overseeing developments through to manufacture on clients' behalf.

#### *Innovation Technology Management ('ITM')*

Through its ITM division, the Existing Sagentia Group helps clients to discover and realise new commercial opportunities.

The Existing Sagentia Group works closely with clients to help them discover new business opportunities. The approach includes uncovering unmet needs of users or customers, visualising market trends and scenarios, identifying disruptive technologies and redefining the value chain. The Existing Sagentia Group aims to enhance clients' strategies for growth and competitive advantage by helping them build sustainable intellectual property positions.

#### *Science and Technology*

The Existing Sagentia Group's Board believes that significant commercial opportunity can be created by the innovative application of science and technology.

The Existing Sagentia Group has particular expertise in optical systems, materials and mathematical modelling especially as they are applied in the medical, industrial and fast moving consumer goods sectors.

#### *Managed Services*

The Existing Sagentia Group combines market insights, technical know-how, a track record of managed service delivery and commercial experience.

#### *Sagentia Catella AB*

Headquartered in Stockholm, Sagentia Catella AB is an independent consultancy and testing laboratory for batteries, supercapacitors and fuel cell technologies. Established in the 1950s, Sagentia Catella AB was originally part of the Swedish Defence Research Agency and became a commercial company in the 1990s.

#### *SGAI-Tech Limited*

The Existing Sagentia Group established SGAI-Tech Limited in 2004. SGAI Tech Limited focuses on providing clients with an integrated approach to product development and production. Located in Hong

Kong, SGAI-Tech Limited benefits from Hong Kong's intellectual property laws and its proximity to mainland China.

The Hong Kong office is a collaboration between the Existing Sagentia Group and Automatic International Limited, a subsidiary of Automatic Manufacturing Limited, an established Hong Kong based manufacturer with substantial operations in mainland China.

#### **4. The Market**

The Existing Sagentia Group creates, develops and delivers products and services to a wide range of businesses from venture-funded technology start-ups to multi-national businesses. Its projects vary in size typically from a £40,000 study to a multi-million pound product or service development contract.

Demand for outsourced technology development from the Cambridge area has increased over the course of the last 20 years. As reported in the Existing Sagentia Group's final results for 2007, demand for the Existing Sagentia Group's services is strong.

The primary geographical areas into which the Existing Sagentia Group sells and seeks to sell its services are the UK, mainland Europe, primarily Germany, and the USA. In order to service its clients, the Existing Sagentia Group has established overseas offices including in Frankfurt, Germany, and in Maryland, USA. These offices consist of local operating resources alongside sales and marketing staff. Most of the Existing Sagentia Group's clients are however serviced from its UK headquarters which include bespoke laboratory facilities just outside of Cambridge.

#### ***Competition***

The Existing Sagentia Group Board considers that its principal competitors are other technology consulting companies, primarily The Technology Partnership ("TTP"), Cambridge Consultants Ltd ("CCL"), a subsidiary of Altran SA, and PA Technology ("PA"), a subsidiary of PA Consulting Ltd. Where the size and scope of the development project is less than £250,000, the Existing Sagentia Group competes against local niche engineering companies. In mainland Europe competition is occasionally found in the Fraunhofer ICT Group organisations and in the USA, in Sarnoff Corporation and SRI International.

The Directors believe, and clients have indicated, that the differentiation between the companies is based on specific technical skill sets employed within each business, the quality of client relationships, pricing strategies and any pre-existing intellectual property.

While the above businesses compete in the market for outsourced technology consulting and innovation, in many cases the principal competitor for technology development is actually the client's own research and development resources.

The Existing Sagentia Group, TTP, CCL and PA have all been established for more than 20 years.

#### **5. The Offer**

##### ***Terms and Conditions***

Sagentia is offering to acquire, on the terms and subject to the conditions which are set out in the Offer Document and reproduced in Part IV of this document, all of the Sagentia Switzerland Shares, issued and to be issued, on the following basis:

**for every ten Sagentia Switzerland Shares: one New Sagentia Share**

Entitlements to fractions of a New Sagentia Share will be rounded up to the nearest whole number of New Sagentia Shares.

A holder of CDIs or of Sagentia Switzerland Shares held through a nominee should note that his entitlement in relation to fractions of New Sagentia Shares will depend on his contractual arrangements with Euroclear or the relevant nominee in question.

New Sagentia Shares issued pursuant to the Offer will rank *pari passu* with existing Ordinary Shares in respect of all dividends made, paid or declared from the time they are issued and allotted.

The Sagentia Switzerland Shares will be acquired under the Offer fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching to them after 11 June 2008 (the date of the announcement of the Offer), including the right to receive all dividends (if any) declared, made or paid thereafter.

The terms and conditions of the Offer are reproduced in Part IV of this document. The full terms and conditions of the Offer are set out in the Offer Document which has today been posted to Sagentia Switzerland Shareholders.

Full acceptance of the Offer (including full acceptance in respect of all Sagentia Switzerland Shares issued upon full exercise of the Sagentia Switzerland Options) would result in the issue of up to 23,193,210 New Sagentia Shares representing (together with the two existing issued Sagentia Shares) 100 per cent. of the Sagentia Issued Share Capital.

The Offer is conditional (*inter alia*) on the London Stock Exchange announcing its decision to admit to trading on AIM those New Sagentia Shares to be issued pursuant to the Offer in respect of acceptances received at the date when the Offer is declared unconditional in all respects (save for Admission) (subject only to allotment) and the existing Sagentia Shares, and such admission becoming effective in accordance with the AIM Rules for Companies.

#### ***Irrevocable Undertakings***

Sagentia has received irrevocable undertakings to accept (or procure the acceptance of) the Offer from Catella in respect of 105,120,800 Sagentia Switzerland Shares representing approximately 48.8 per cent. of Sagentia Switzerland's issued share capital.

In addition it has received irrevocable undertakings to accept (or procure the acceptance of) the Offer from the Sagentia Directors and the Sagentia Switzerland Directors in respect of their entire holding of 17,886,324 Sagentia Switzerland Shares representing approximately 8.3 per cent. of Sagentia Switzerland's issued share capital and from certain other Sagentia Switzerland Shareholders in respect of 13,916,292 Sagentia Switzerland Shares representing 6.4 per cent. of Sagentia Switzerland's issued share capital.

These irrevocable undertakings will cease to be binding only if the Offer lapses or is withdrawn.

#### ***Cancellation of listing***

When the Offer becomes or is declared unconditional in all respects, save for Admission, and subject thereto, and assuming that valid acceptances of the Offer have been received in respect of at least 75 per cent. of the Sagentia Switzerland Shares, Sagentia intends to procure the making of an application under Listing Rule 5.2.10 by Sagentia Switzerland to the UK Listing Authority for cancellation of the listing of Sagentia Switzerland Shares on the Official List and for the cancellation of the admission to trading of Sagentia Switzerland Shares on the London Stock Exchange's market for listed securities.

Cancellation will take place 20 business days after Sagentia having by virtue of its shareholdings in Sagentia Switzerland and acceptances of the Offer acquired or agreed to acquire Sagentia Switzerland Shares carrying 75 per cent. of the voting rights in Sagentia Switzerland.

## **6. New Option Scheme**

The Directors propose to introduce a new option scheme after completion of the Proposals to incentivise directors and key employees of the Existing Sagentia Group. The Directors propose to limit the grant of employee options to subscribe for Sagentia Shares to a maximum of 15 per cent. of Sagentia Issued Share Capital. No capital of Sagentia is currently under option.

PR Ann I.21.1.6

## **7. Sagentia Directors and Senior Managers**

Brief biographies of the Sagentia Directors and a Senior Manager of the Existing Sagentia Group are set out below. Paragraph 5 of Part V contains further details of the current and past directorships and certain other important information regarding the Sagentia Directors.

Johan Björklund, Gordon Edge and Markus Rauh (non-executive directors of Sagentia Switzerland) will resign upon cancellation of listing on the Official List and cancellation of admission to trading on the London Stock Exchange's market for listed securities of the Sagentia Switzerland Shares becoming effective. In order to satisfy the Swiss legal requirement for at least one Swiss-domiciled director, Martin Forster will remain a member of the board of directors of Sagentia Switzerland. Martin Frost will also resign on 30 June 2008.

### ***Sagentia Directors***

#### ***Dr. Christopher Masters – Chairman***

Dr. Masters took his doctorate in Chemistry at Leeds University and previously 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, Alliance Trust plc, John Wood Group plc, and the Crown Agents.

#### ***Lars Kylberg – Senior Independent Non-Executive Director***

Mr. Kylberg has been a Non-Executive director of Sagentia Switzerland 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***

Mr. Ahlberg 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 is a serving director of Catella AB, a Stockholm based investment asset management, corporate finance and private equity business.

Besides his directorship in Catella AB, he is currently the Chairman of two public information technology companies in Stockholm, ENEA AB and ProAct AB.

#### ***Dr. Alistair Brown – Chief Executive Officer***

Dr. Brown took his doctorate in Physics at UMIST. He moved to Germany in 1990, working for Focus, Steinbeis Stiftung and UBM Messtechnik in both technical and commercial roles in the fields of metrology and image processing. Returning to the UK in 1998 he joined Ernst & Young helping to set up an international technology transfer network. He joined Sagentia Ltd in 2000 as a business development manager before establishing the German consulting operation Sagentia GmbH in 2002. Dr. Brown was appointed Geschaeftsfuehrer (Managing Director) of Sagentia GmbH in 2004. In 2006 he joined the board of Sagentia Limited and in 2007 he joined the board of Sagentia Holdings Ltd in the role of Sales and Marketing Director. He has agreed to become Chief Executive Officer of the New Sagentia Group.



### *Guy McCarthy – Finance Director*

Mr. McCarthy read Mathematics at Bath University, graduating in 1984, whereupon he joined Price Waterhouse. Having qualified as a Chartered Accountant in 1987, he remained as a manager working on various audit clients until 1990 when he joined Sagentia Limited. He has undertaken a number of finance and company secretarial roles within the Existing Sagentia Group over the years, most recently as Group Director of Finance. Mr. McCarthy obtained an MBA through the Open University in 2002.

### *Daniel Flicos – Commercial Director*

Mr. Flicos completed his BSc and Masters in Electrical and Electronic Engineering at Bath University in 1987. He then joined Marconi Radar Systems, working on the development of signal processors. He then moved to Digithurst Limited, a company developing imaging products for personal computers, where he became Technical Director. Mr. Flicos moved to Scientific Generics in 1993 where he has taken a number of senior management positions, including a period as President of the US operations from 2000 to 2003. He is currently a director of Sagentia Switzerland and its subsidiaries: Sagentia Holdings Limited, Sagentia Limited, Sagentia inc and Sagentia Catella AB.

### **Senior Manager**

#### *Paul Fearis – President, Sagentia Inc.*

Mr. Fearis holds Masters Degrees in Product Design and Industrial Design Engineering from Cranfield University and the Royal College of Art respectively. He joined the Existing Sagentia Group in 1996 from industrial design consultancy PDD where he was Technology & Communications Director. Following front-line consulting and group management responsibilities in the UK, he moved to the USA in 2001 to help build the Existing Sagentia Group's newly acquired medical business near Washington DC. He had business development responsibilities and headed Sagentia's Design Led Innovation group. Mr. Fearis was appointed President of Sagentia Inc in 2006.

## **8. Current Trading Prospects**

The Board of Sagentia Switzerland issued the following preliminary statement on 4 March 2008 for the year ended 31 December 2007. In this paragraph 8 references to the "Group" and to the "Company" mean the Existing Sagentia Group and Sagentia Switzerland respectively.

This statement contained the following update:

*"The final results for 2007 were in line with our expectations at the half-year and demonstrate continued good progress, particularly in the Consulting and IP business. Core consulting operations were returned to profitability during the course of the year, with order intake closing at £17.9 million, up 13 per cent. from 2006 (£15.9 million). Net consulting and IP margins have steadily recovered to show a net margin of 5.1 per cent. in the second half of the year (2006 H2: loss 12 per cent.). On the venturing side of our business, however, we saw a significant reduction in the valuation of the portfolio due principally to the share price movement of CMR Fuel Cells plc which reduced the value of our 11 per cent. stake by £2.8 million. As a consequence, the Group recorded an overall loss for the year of £3.2 million (2006 – £2.5 million) after fair value adjustments in the portfolio of £3.7 million and restructuring charges of £0.4 million incurred during Q1 2007.*

*Profitability in our Consulting and IP business together with the sale of our portfolio company, Intrasonics Ltd, led to a reduction in Group borrowings of £0.5 million during the second half. This improved by a further £1.4 million during January 2008 due to a reduction in debtor balances. Following the operational changes implemented over the last year which have resulted in increased focus and a significant improvement in the cash profile of the business, we are now confident that we have a good platform from which to profitably grow our core Consulting and IP business.*

*During the last year we have reduced our dependence on venturing activities, and made good progress in trading out our portfolio with the sale of Intrasonics Ltd in December for a cash consideration of £1.5 million, the sale of our investment in Nanoscience Inc for £0.3 million, and the quotation of TurfTrax*

*Holdings plc on AIM in January 2008. Progress in Atraverda Ltd, a bipolar battery technology development company, and Sphere Medical Ltd, a breakthrough medical device company, remains strong with Atraverda completing a £10 million refinancing in Q4 2007. Despite the fall in its share price, CMR's technical progress continues with the two recently announced application specific, portable fuel cell demonstration systems which were unveiled at the Fuel Cell Expo in Tokyo.*

*Over the last 18 months we have moved the Company from an integrated consulting and venturing business to one focussed primarily on growing a profitable technology consulting business creating, developing and delivering business opportunities, products and services. Moving forward we will continue to focus the business on its core technology consulting capability. While we will continue to exploit our own technology and intellectual property ('IP') assets, our strategy is to generate future income in the form of royalties and transaction fees from technology licensing, design and build and managed service applications rather than the creation of technology spin-out ventures, which demand capital alongside scarce technical and management resources.*

*In the context of simplifying the Group's corporate structure and reducing costs, the Board of Sagentia has further resolved to move the domicile of the company and its stock market listing.*

*Sagentia Switzerland is a Swiss-domiciled company, with a full listing on the London Stock Exchange. During 2008 we intend to move the Company's domicile from Switzerland to the UK and the listing from the main London market to the Alternative Investment Market. This will reduce ongoing costs by an estimated £0.1 million per annum and give the Company greater corporate and fund raising flexibility. As part of these moves, I will be announcing further changes to the Board in due course. In order to facilitate the redomicile and relisting, and to assist in broadening the Company's shareholder base, we have appointed Arbuthnot Securities as our Financial Adviser and Broker, with immediate effect.*

*These changes will not only simplify the business model and management structure, but also aid communications with both investors and customers, enabling us to build on the progress the business has achieved over the last year. While overall market conditions are unpredictable, with a healthy order book pipeline and strengthening balance sheet, we look forward to the future with added confidence."*

The Board of Sagentia Switzerland issued an Interim Management Statement on 2 May 2008 for the period to 1 May 2008. The statement included the following update:

*"The technology consulting and intellectual property ("IP") licensing business, Sagentia Ltd, had continued to grow profitably in line with management expectations. The order book remains strong and the Board anticipates that trading in the consulting business will continue the progress made in the second half of the year ending 31 December 2007.*

*Overall the Group's balance sheet remains strong, the Group's freehold at Harston Mill is fully let, and there has been no overall material change to the financial position since publication of the Group's preliminary results for the year ended 31 December 2007."*

The Existing Sagentia Group Board is confident in the prospects for the Existing Sagentia Group and believes that the Existing Sagentia Group will be well positioned to deliver improvements in business growth and performance.

## 9. Financial Information

The table below sets out the Existing Sagentia Group's summary financial information for the last three financial years extracted without material adjustment from the Sagentia Switzerland consolidated audited accounts for the years ended 31 December 2007, 31 December 2006 and 31 December 2005, which were prepared under IFRS.

	2007 £000s	2006 £000s	2005 £000s
Core operations	22,793	23,115	21,658
Venture subsidiaries	169	531	288
<b>Revenue</b>	<b>22,962</b>	<b>23,646</b>	<b>21,946</b>
Core operations	642	(840)	(690)
Venture subsidiaries	(1,390)	(657)	(767)
<b>Gross Loss</b>	<b>(748)</b>	<b>(1,497)</b>	<b>(1,457)</b>
Profit on disposals of investments	1,376	392	1,573
Change in fair value on financial assets	(3,701)	(876)	1,808
Bonus accrual	327	384	(320)
Re-branding costs	–	(632)	–
Cost of options	(83)	(235)	(107)
<b>Operating (loss)/profit</b>	<b>(2,829)</b>	<b>(2,464)</b>	<b>1,497</b>
Finance Charges (net)	(485)	(59)	(286)
<b>(Loss)/profit on continuing operations before income tax</b>	<b>(3,234)</b>	<b>(2,523)</b>	<b>1,211</b>
<b>(Loss)/earnings per share</b>	<b>(1.5)p</b>	<b>(1.1)p</b>	<b>0.6p</b>
<b>Dividends per share</b>	–	–	–
Non current assets	24,806	29,089	29,013
Current assets	8,651	7,228	10,861
<b>Total equity</b>	<b>17,538</b>	<b>20,799</b>	<b>23,056</b>

## 10. Operating and Financial Review – Summary

The summary financial performance for the years 2005 to 2007, reflects the improvement of core operations from a Gross Loss from core operations of £0.7 million and £0.8 million in 2005 and 2006 respectively to a Gross Profit of £0.6 million in 2007. This followed a restructuring of the business at the beginning of 2007 reducing cost and refocusing management on its core technology consulting activity. The statements also demonstrate the volatility of the Existing Sagentia Group's venturing activity, as evidenced by the change in fair value reflected in the profit and loss account.

The Board's strategy is to profitably grow the core consulting and IP activities as well as to build non-consulting income in the form of technology licensing, manufacturing royalties and managed services. This will increase the profitability of core operations and reduce the cost and risk associated with spin-outs and venture subsidiaries.

### *Significant events affecting the results for the year ended 31 December 2007*

- Restoration of the Existing Sagentia Group's core consulting and IP activities to profitability following actions to reduce costs and increase focus in the first quarter of 2007 at a cost of £0.4 million, improving consulting operating margin in the second half of 2007 to 8.9 per cent. (first half 2007: (5.2) per cent.).
- Improvement in the consulting order book intake to £17.9 million (2006: £15.9 million).

- Sale of the Existing Sagentia Group's equity interest in Intrasonics Ltd, the Existing Sagentia Group's 93 per cent. owned venture subsidiary, for an initial cash consideration of £1.5 million plus further payments of up to £4.5 million.
- A £3.7 million reduction in the fair value of venture portfolio, which has no effect on the Existing Sagentia Group's cash position and which includes £2.8 million related to the fall in the share price of CMR Fuel Cells plc, resulted in a loss for the Existing Sagentia Group from continuing activities before taxation of £3.3 million (2006 – loss of £2.5 million).

#### ***Significant events affecting the results for the year ended 31 December 2006***

- Significant investment in extensive rebranding exercise including change of name from The Generics Group AG to Sagentia Group AG in October See page 12 2006.
- Existing Sagentia Group loss from continuing activities before taxation of £2.2 million (2005: profit of £1.1 million). Losses include £0.6 million investment in rebranding, £0.6 million reduction in fair value of venture portfolio and £0.6 million net costs incurred in building out majority held ventures.

#### ***Significant events affecting the results for the year ended 31 December 2005***

- Consultancy and IP exploitation fee income increased by 25 per cent. to £17.0 million (2004: £13.6 million).
- Existing Sagentia Group profit from continuing activities before taxation of £1.1 million (2004: loss of £0.7 million).
- Spin-out company, CMR Fuel Cells plc ('CMR') successfully admitted to AIM in December 2005, raising £9.2 million net of expenses with the Existing Sagentia Group retaining 11 per cent. of CMR post Admission. The market valuation of CMR and of the Existing Sagentia Group investment in CMR at the end of 2005 was £39 million and £4.3 million respectively.
- Sale of equity interest in spin-out company Imerge Ltd, a media server business, to Nortek Inc for an initial cash consideration of £1.05 million.

### **11. Dividends and Dividend Policy**

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 the Existing Sagentia Group's and, after the Acquisition, the New Sagentia Group's financial position.

### **12. Bank facilities**

In March 2006, the Existing Sagentia Group agreed a five year bank loan facility of up to £9m, and Sagentia Ltd agreed an annual revolving overdraft facility of up to £2m, with Lloyds TSB Bank plc. The Sagentia Ltd facility was renewed for a further year in January 2007. At 31 December 2007, £6,813,000 had been drawn down on the Sagentia Switzerland facility, and £765,000 had been drawn down on the Sagentia Ltd facility. At 31 March 2008, £7,750,000 had been drawn down on the Sagentia Switzerland facility, and £440,000 was on deposit with the Sagentia Ltd account at Lloyds TSB account.

### **13. Accounting Policies**

The New Sagentia Group will adopt the Existing Sagentia Group's accounting policies.

### **14. Corporate Governance and Internal Controls**

Sagentia is registered in England and Wales, and upon completion of the Offer, will be admitted to trading on AIM. It will seek to apply the overlying principles of good governance on AIM. In particular Sagentia will apply the Principles of Good Governance set out in the Combined Code except as detailed 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 paragraph 14 explains how the Directors will seek to apply the requirements of the Combined Code to procedures within the New Sagentia Group.

#### *Statement of compliance with the Code of Best Practice*

The New Sagentia Group will comply with the Provisions of the Code of Best Practice set out in Section One of the Combined Code except, so as to reflect the size and resources of the New Sagentia Group, for the following matters:

- Not all of the non-executive directors on the Remuneration Committee or Audit Committee will be independent. Mr. Ahlberg will not be considered an independent Director under the Combined Code.
- The Chairman and one of the two non-executive directors on the Board are independent. The New Sagentia Group will seek to appoint one further independent non-executive director.
- The Board will not comprise a majority of non-executive directors but will consist of three executive directors and three non-executive directors. The New Sagentia Group will seek to appoint one further independent non-executive director.

The roles of the Chairman and Chief Executive of Sagentia will be separated and clearly defined. The Chairman will be primarily responsible for the working of the Board, and the Chief Executive for the running of the business and implementation of the Board strategy and policy. The Chief Executive will be assisted in the managing of the business on a day-to-day basis by the executive team of Sagentia, including its commercial director and finance director.

High-level strategic decisions will be discussed and taken by the full Board, with recommendations as appropriate from the Chief Executive. Operational decisions will be taken by the Chief Executive within the framework approved in the annual budgets.

The Board will define a framework of high-level authorities to map the structure of delegation below Board level, as well as specifying issues which will remain within the Board's preserve. The Board will meet at least four times a year to consider a formal schedule of matters including the operating performance of the advisory, exploitation and investment businesses and at least once, to review the New Sagentia Group's budget, strategy and business model.

Non-executive directors will be 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 Sagentia'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 will have access to the advice and services of the Company Secretary, Group legal adviser, and other independent professional advisers as required. Non-executive directors can familiarise themselves with all aspects of the New Sagentia Group and have access to key members of staff.

It will be 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. The New Sagentia Group's strategy will be regularly communicated to all employees in regular briefings.

Risk management is crucial to the success of the New Sagentia Group, and the Board and audit committee will consider the risks associated with the New Sagentia Group's technology and intellectual property pipeline, technical resources, as well as regulatory and other operational risks. Risks will be reviewed by the Board as part of the strategy review.

### ***Sagentia Board Committees***

The Board of Sagentia has established three standing committees, all of which operate within written terms of reference. Their minutes will be 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 will be chaired by Lars Kylberg and comprise himself, Christopher Masters and Staffan Ahlberg.

The audit committee will be responsible for reviewing a wide range of matters including the half year and annual financial statements before their submission to the Board as well as monitoring the controls, in particular regarding processes concerning investments, which are in force to ensure the integrity of the information reported to the shareholders. There is a whistle-blowing policy incorporated within the New Sagentia Group employee handbook. The audit committee will contribute to the Board's review of the effectiveness of internal controls and risk management systems. The audit committee will advise the Board on the appointment of external auditors and on 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 will keep under review the cost effectiveness and the independence and objectivity of the auditors. There will be no internal audit function within the New Sagentia Group. The audit committee is satisfied that this would be inappropriate for the New Sagentia Group having regard to its size.

#### ***Remuneration Committee***

The remuneration committee will be chaired by Staffan Ahlberg and comprise himself, Lars Kylberg and Christopher Masters. Its function will be to monitor the human resources policies of the New Sagentia Group to ensure that they are consistent with the New Sagentia Group's business and culture. It will be charged with executing the Board's policy on executive director and executive management remuneration and reporting decisions made to the Board. The committee will both determine the individual remuneration package of executive Directors and reviews remuneration levels for other senior employees of the New Sagentia Group.

#### ***Nomination Committee***

The nomination committee will be chaired by Christopher Masters and comprise himself, Lars Kylberg and Staffan Ahlberg. The committee will meet when necessary. The committee's primary function will be to make recommendations to the Board on all new appointments and will also advise generally on issues relating to Board composition and balance. Nominations for executive Directors will be submitted by the Group Chief Executive to the nomination committee.

Catella currently owns 48.8 per cent. of Sagentia Switzerland's issued share capital. As a result of the Offer, Catella will own a minimum of 48.8 per cent. of Sagentia's issued share capital and, taking into account only the irrevocable undertakings to accept the Offer, up to 76.8 per cent. Catella has entered into an agreement with Sagentia governing its relationship as a substantial shareholder. Further details of this agreement are set out in paragraph 23.2.(c) of Part V of this document.

### **15. Procedure for Acceptance of the Offer and Settlement**

The procedure for acceptance of the Offer and settlement are reproduced in Section D of Part IV of this document, and are set out in full in the Offer Document and accompanying Form of Acceptance and Assignment.

### **16. Further Information**

Your attention is also drawn to the remaining parts of this document which contain further information on Sagentia, the Existing Sagentia Group and the New Sagentia Shares.

The first closing date of the Offer is 3.00 p.m. on 2 July 2008. Upon the Offer becoming or being declared unconditional in all respects (save for Admission), application will be made to the London Stock Exchange

for the New Sagentia Shares to be issued in respect of acceptances of the Offer received at such time and the existing Sagentia Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in Sagentia Shares as soon as practicable, in accordance with the AIM Rules for Companies, following the day on which the Offer becomes or is declared unconditional in all respects (save only for the Admission).

When the Offer becomes or is declared unconditional in all respects, and subject thereto, and assuming that valid acceptances of the Offer have been received in respect of at least 75 per cent. of the Sagentia Switzerland Shares, Sagentia intends to procure the making of an application by Sagentia Switzerland to the UK Listing Authority for cancellation of the listing of Sagentia Switzerland Shares on the Official List and for the cancellation of the admission to trading of Sagentia Switzerland Shares on the London Stock Exchange's market for listed securities.

A notice period of not less than 20 business days prior to the cancellation of listing and trading of the Sagentia Switzerland Shares will take effect on Sagentia having by virtue of its shareholdings in Sagentia Switzerland and acceptances of the Offer acquired or agreed to acquire Sagentia Switzerland Shares carrying 75 per cent. of the voting rights in Sagentia Switzerland.

Under Swiss law, Sagentia may not have the right to compulsorily acquire those Sagentia Switzerland Shares in respect of which the Offer is not accepted. Sagentia Switzerland Shareholders who do not accept the Offer will not receive new Sagentia Shares but will remain holders of Sagentia Switzerland Shares. As a result, it is likely that upon completion of the Offer Sagentia will not hold 100 per cent. of Sagentia Switzerland.

## **17. The City Code**

Sagentia will be subject to the City Code. Under Rule 9 of the City Code, any person who acquires an interest in shares which, taken together with shares in which he is already interested in and in which persons acting in concert with him are interested carry 30 per cent. or more of the voting rights of a company which is subject to the City Code is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly when any person, together with persons acting in concert with him, is interested in shares which in the aggregate are not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights a general offer will normally be required if any further interest in shares are acquired by any such person.

Persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company.

**Sagentia Switzerland Shareholders who are considering whether or not to accept the Offer should note that Catella will, following Admission, be interested in shares carrying between 48.8 and 76.8 per cent. of the voting share capital of Sagentia depending on the level of acceptances of the Offer.**

**In the event that following Admission, Catella holds more than 50 per cent. of the Company's voting share capital, Catella may accordingly increase its interest in Sagentia Shares without incurring any further obligation under Rule 9 of the City Code to make a general offer.**

**In the event that following Admission, Catella is interested in 30 per cent. or more of the Company's voting share capital but does not hold shares carrying more than 50 per cent. of such voting rights, any further increase in that interest in shares will be subject to the provisions of Rule 9 of the City Code.**

## PART II

### Operating and Financial Review

*The selected historical financial information discussed in this operating and financial review of the Existing Sagentia Group has been extracted without material adjustment from the Sagentia Switzerland report and audited consolidated accounts for the financial years ended 31 December 2007, 31 December 2006 and 31 December 2005.*

#### 1. Current Trading Prospects

The Board of the Sagentia Switzerland issued the following preliminary statement on 4 March 2008 for the year ended 31 December 2007. In this paragraph 1 references to the “Group” and to the “Company” mean the Existing Sagentia Group and Sagentia Switzerland respectively. This statement contained the following update:

*“The final results for 2007 were in line with our expectations at the half-year and demonstrate continued good progress, particularly in the Consulting and IP business. Core consulting operations were returned to profitability during the course of the year, with order intake closing at £17.9 million, up 13 per cent. from 2006 (£15.9 million). Net consulting and IP margins have steadily recovered to show a net margin of 5.1 per cent. in the second half of the year (2006 H2: loss 12 per cent.). On the venturing side of our business, however, we saw a significant reduction in the valuation of the portfolio due principally to the share price movement of CMR Fuel Cells plc which reduced the value of our 11 per cent. stake by £2.8 million. As a consequence, the Group recorded an overall loss for the year of £3.2 million (2006 – £2.5 million) after fair value adjustments in the portfolio of £3.7 million and restructuring charges of £0.4 million incurred during Q1 2007.*

*Profitability in our Consulting and IP business together with the sale of our portfolio company, Intrasonics Ltd, led to a reduction in Group borrowings of £0.5 million during the second half. This improved by a further £1.4 million during January 2008 due to a reduction in debtor balances. Following the operational changes implemented over the last year which have resulted in increased focus and a significant improvement in the cash profile of the business, we are now confident that we have a good platform from which to profitably grow our core Consulting and IP business.*

*During the last year we have reduced our dependence on venturing activities, and made good progress in trading out our portfolio with the sale of Intrasonics Ltd in December for a cash consideration of £1.5 million, the sale of our investment in Nanoscience Inc for £0.3 million, and the quotation of TurfTrax Holdings plc on AIM in January 2008. Progress in Atraverda Ltd, a bipolar battery technology development company, and Sphere Medical Ltd, a breakthrough medical device company, remains strong with Atraverda completing a £10 million refinancing in Q4 2007. Despite the fall in its share price, CMR’s technical progress continues with the two recently announced application specific, portable fuel cell demonstration systems which were unveiled at the Fuel Cell Expo in Tokyo.*

*Over the last 18 months we have moved the Company from an integrated consulting and venturing business to one focussed primarily on growing a profitable technology consulting business creating, developing and delivering business opportunities, products and services. Moving forward we will continue to focus the business on its core technology consulting capability. While we will continue to exploit our own technology and intellectual property (‘IP’) assets, our strategy is to generate future income in the form of royalties and transaction fees from technology licensing, design and build and managed service applications rather than the creation of technology spin-out ventures, which demand capital alongside scarce technical and management resources.*

*In the context of simplifying the Group’s corporate structure and reducing costs, the Board of Sagentia has further resolved to move the domicile of the company and its stock market listing.*

*Sagentia Switzerland is a Swiss-domiciled company, with a full listing on the London Stock Exchange. During 2008 we intend to move the Company’s domicile from Switzerland to the UK and the listing from the main London market to the Alternative Investment Market. This will reduce ongoing costs by an estimated*



£0.1 million per annum and give the Company greater corporate and fund raising flexibility. As part of these moves, I will be announcing further changes to the Board in due course. In order to facilitate the redomicile and relisting, and to assist in broadening the Company's shareholder base, we have appointed Arbutnot Securities as our Financial Adviser and Broker, with immediate effect.

These changes will not only simplify the business model and management structure, but also aid communications with both investors and customers, enabling us to build on the progress the business has achieved over the last year. While overall market conditions are unpredictable, with a healthy order book pipeline and strengthening balance sheet, we look forward to the future with added confidence."

The Board of Sagentia Switzerland issued an Interim Management Statement on 2 May 2008 for the period to 1 May 2008. The statement included the following update:

"The technology consulting and intellectual property ("IP") licensing business, Sagentia Ltd, had continued to grow profitably in line with management expectations. The order book remains strong and the Board anticipates that trading in the consulting business will continue the progress made in the second half of the year ending 31 December 2007.

Overall the Group's balance sheet remains strong, the Group's freehold at Harston Mill is fully let, and there has been no overall material change to the financial position since publication of the Group's preliminary results for the year ended 31 December 2007."

The Existing Sagentia Group Board is confident in the prospects for the Existing Sagentia Group and believes that the Existing Sagentia Group will be well positioned to deliver improvements in business growth and performance.

## 2. Financial Information

The table below sets out the Existing Sagentia Group's summary financial information for the last three financial years, extracted without material adjustment from the Sagentia Switzerland consolidated audited accounts for the years ended 31 December 2007, 31 December 2006 and 31 December 2005, which were prepared under IFRS.

	2007 £000s	2006 £000s	2005 £000s
Core operations	22,793	23,115	21,658
Venture subsidiaries	169	531	288
<b>Revenue</b>	<b>22,962</b>	<b>23,646</b>	<b>21,946</b>
Core operations	642	(840)	(690)
Venture subsidiaries	(1,390)	(657)	(767)
<b>Gross Loss</b>	<b>(748)</b>	<b>(1,497)</b>	<b>(1,457)</b>
Profit on disposals of investments	1,376	392	1,573
Change in fair value on financial assets	(3,701)	(876)	1,808
Bonus accrual	327	384	(320)
Re-branding costs	–	(632)	–
Cost of options	(83)	(235)	(107)
<b>Operating (loss)/profit</b>	<b>(2,829)</b>	<b>(2,464)</b>	<b>1,497</b>
Finance Charges (net)	(485)	(59)	(286)
<b>(Loss)/profit on continuing operations before income tax</b>	<b>(3,234)</b>	<b>(2,523)</b>	<b>1,211</b>
<b>(Loss)/earnings per share</b>	<b>(1.5)p</b>	<b>(1.1)p</b>	<b>0.6p</b>
<b>Dividends per share</b>	<b>–</b>	<b>–</b>	<b>–</b>
Non current assets	24,806	29,089	29,013
Current assets	8,651	7,228	10,861
<b>Total equity</b>	<b>17,538</b>	<b>20,799</b>	<b>23,056</b>

### **3. Operating and Financial Review – Summary**

The summary financial performance for years 2005-2007, reflects the improvement of core operations from a Gross Loss from core operations of £0.7 million and £0.8 million in 2005 and 2006 respectively to a Gross Profit of £0.6 million in 2007. This followed a restructuring of the business at the beginning of 2007 reducing cost and refocusing management on its core technology consulting activity. The statements also demonstrate the volatility of the Existing Sagentia Group's venturing activity, through the change of net assets through the profit and loss account.

The board's strategy is to profitably grow the core consulting and IP activities as well as to build non-consulting income in the form of technology licensing, manufacturing royalties and managed services. This will increase the profitability of core operations and reduce the cost and risk associated with spin-outs and venture subsidiaries.

At 31 December 2007 Sagentia Switzerland had net indebtedness of £7.2 million with an unused bank facility of £3.4 million. Following the decision to reduce Sagentia Switzerland's dependence on its venture portfolio and the improvement in the profitability of the consulting business, Sagentia Switzerland generated £0.5 million cash during H2 2007 and expects to operate within its banking facilities for the foreseeable future.

#### ***Significant events affecting the results for the ended 31 December 2007***

- Restoration of the Existing Group's core consulting and IP activities to profitability following actions to reduce costs and increase focus in the first quarter of 2007 at a cost of £0.4 million, improving consulting operating margin in the second half of 2007 to 8.9 per cent. (first half 2007: (5.2) per cent.).
- Improvement in the consulting order book intake to £17.9 million (2006: £15.9 million).
- Sale of the Existing Sagentia Group's equity interest in Intrasonics Ltd, the Existing Sagentia Group's 93 per cent. owned venture subsidiary, for an initial cash consideration of £1.5 million plus further payments of up to £4.5 million.
- A £3.7 million reduction in the fair value of venture portfolio, which has no effect on the Existing Sagentia Group's cash position and which includes £2.8 million related to the fall in the share price of CMR Fuel Cells plc, resulted in an Existing Sagentia Group loss from continuing activities before taxation of £3.3 million (2006 – loss of £2.5 million).

#### ***Significant events affecting the results for the ended 31 December 2006***

- Significant investment in extensive rebranding exercise including change of name from The Generics Group AG to Sagentia Group AG in October 2006.
- Existing Sagentia Group loss from continuing activities before taxation of £2.2 million (2005: profit of £1.1 million). Losses include £0.6 million investment in rebranding, £0.6 million reduction in fair value of venture portfolio and £0.6 million net costs incurred in building out majority held ventures.

#### ***Significant events affecting the results for the ended 31 December 2005***

- Consultancy and IP exploitation fee income increased by 25 per cent. to £17.0 million (2004: £13.6 million).
- Existing Sagentia Group profit from continuing activities before taxation of £1.2 million (2004: loss of £0.7 million).
- Spin-out company, CMR Fuel Cells plc ('CMR') successfully admitted to AIM in December 2005, raising £9.2 million net of expenses with the Existing Sagentia Group retaining 11 per cent. of CMR post Admission. The market valuation of CMR and of the Existing Sagentia Group's investment in CMR at the end of 2005 was £39 million and £4.3 million respectively.
- Sale of equity interest in spin-out company Imerge Ltd, a media server business, to Nortek Inc for an initial cash consideration of £1.05 million.

#### 4. Bank facilities

In March 2006, the Existing Sagentia Group agreed a five year bank loan facility of up to £9 million, and Sagentia Ltd agreed an annual revolving overdraft facility of up to £2 million, with Lloyds TSB Bank plc. The Sagentia Ltd facility was renewed for a further year in January 2007. At 31 December 2007, £6,813,000 had been drawn down on the Sagentia Switzerland facility, and £765,000 had been drawn down on the Sagentia Ltd facility. At 31 March 2008, £7,750,000 had been drawn down on the Sagentia Switzerland facility, and £440,000 was on deposit with the Sagentia Ltd account at Lloyds TSB account.

The Existing Sagentia Group loan is secured on the freehold property at Harston Mill, Harston, Cambridge. This property is let on an arms length basis to the Existing Sagentia Group's consulting operations Sagentia Ltd in addition to being let to third party tenants. As at 31 March 2008 the building is fully let.

#### 5. Capitalisation and Indebtedness

The following table sets out the indebtedness of Sagentia Switzerland, extracted without material adjustment from Sagentia Switzerland's unaudited consolidated management accounts as at 31 March 2008:

	<i>£'000</i>
<b>Total current debt</b>	
Guaranteed and secured	–
Secured	(61)
Unguaranteed/unsecured	–
<b>Total non-current debt</b>	
Guaranteed and secured	–
Secured	(7,750)
Unguaranteed/unsecured	(332)
<b>Total indebtedness as at 31 March 2008</b>	<u>(8,143)</u>

The following table sets out the capitalisation of the Sagentia Switzerland, extracted without material adjustment from Sagentia Switzerland's audited consolidated financial accounts as at 31 December 2007:

	<i>£'000</i>
<b>Capital and reserves</b>	
Called up share capital	9,307
Share premium	13,133
Other reserves	138
<b>Total capitalisation as at 31 December 2007<sup>(2)</sup></b>	<u>22,578</u>

The following table sets out the net financial indebtedness of Sagentia Switzerland, extracted without material adjustment from Sagentia Switzerland's unaudited consolidated management accounts as at 31 March 2008:

	<i>£'000</i>
<b>Cash</b>	1,552
<b><i>Total liquidity</i></b>	<u>1,552</u>
Current bank debt	(61)
Other current financial debt	–
<b>Current financial indebtedness</b>	<u>(61)</u>
<b>Net current financial indebtedness</b>	<u>1,491</u>
<i>Non-current bank loans</i>	(7,750)
<i>Other non-current financial debt</i>	(332)
<b><i>Non-current financial indebtedness</i></b>	<u>(8,082)</u>
<b><i>Net financial indebtedness as at 31 March 2008</i></b>	<u>(6,591)</u>

Sagentia Switzerland had no indirect or contingent indebtedness as at 31 March 2008.

Sagentia is a newly incorporated public limited company. As at the date of this document, Sagentia had assets of £50,000.02 (representing the current paid up share capital) and no liabilities. Since incorporation Sagentia has not carried on any business nor has entered into any obligation other than in connection with the Offer and the financing thereof. Sagentia has not paid any dividends and no accounts for Sagentia have been prepared.

**Notes:**

1. This statement of capitalisation and indebtedness has been prepared under IFRS which is consistent with Sagentia Switzerland's latest accounts.
2. Capital and reserves do not include the profit and loss account reserve or minority interests. There has been no material change in capital and reserves since 31 December 2007.

## PART III A

### Historical Financial Information on Sagentia Switzerland

#### Section 1 – Audited financial information for the three years ended 31 December 2007

Set out below is the audited historical financial information on Sagentia Switzerland for the three years ended 31 December 2007 which has been prepared under IFRS. This information has been extracted without material adjustment from the Sagentia Switzerland consolidated audited report and accounts for the years ended 31 December 2007, 31 December 2006 and 31 December 2005 which were prepared in accordance with IFRS.

#### Consolidated Income Statement

##### For the year ended 31 December

	<i>Notes</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
<b>Continuing operations</b>				
Revenue				
Core operations		22,793	23,115	21,658
Venture subsidiaries		169	531	288
	4	22,962	23,646	21,946
<b>Operating expenses</b>				
Core operations		(22,151)	(23,955)	(22,348)
Venture subsidiaries		(1,559)	(1,188)	(1,055)
	4,5	(23,710)	(25,143)	(23,403)
<b>Gross (loss)</b>	4	(748)	(1,497)	(1,457)
Profit on disposal of investments	15	1,376	392	1,573
Change in value of financial assets	15	(3,701)	(876)	1,808
Bonus accrual		327	384	(320)
Rebranding		–	(632)	–
Share based payment charge		(83)	(235)	(107)
<b>Operating (loss)/profit</b>		(2,829)	(2,464)	1,497
Finance costs	6	(552)	(411)	(328)
Finance income	6	86	110	50
Other financial result	6	(19)	242	(8)
<b>(Loss)/Profit on continuing operations before income tax</b>		(3,314)	(2,523)	1,211
Tax income	9	80	51	4
<b>(Loss)/Profit on continuing operations for the year</b>		(3,234)	(2,472)	1,215
Attributable to:				
Equity holders of the parent		(3,264)	(2,531)	1,252
Minority interests		30	59	(37)
<b>(Loss)/Profit for the year</b>		(3,234)	(2,472)	1,215
<b>Earnings per share from total and continuing operations</b>				
<b>(Loss)/Profit per share (basic and diluted)</b>	11	(1.5)p	(1.1)p	0.6p

## Consolidated statement of changes in Equity

	<i>Issued capital £000</i>	<i>Share premium £000</i>	<i>Investment in own shares £000</i>	<i>Translation reserve £000</i>	<i>Share based payment reserve £000</i>	<i>Retained earnings* £000</i>	<i>Total – Share- holders funds* £000</i>	<i>Minority Interest* £000</i>	<i>Total equity £000</i>
Balance at 1 January 2005	9,289	13,095	(74)	50	6	(612)	21,754	3	21,757
Profit/(Loss) for the year	–	–	–	–	–	1,252	1,252	(37)	1,215
Issue of shares to minorities	–	–	–	–	–	–	–	79	79
Share based payment charge	–	–	–	–	107	–	107	–	107
Exchange differences on translating foreign operations	–	–	–	(102)	–	–	(102)	–	(102)
<b>Balance at 31 December 2005</b>	<b>9,289</b>	<b>13,095</b>	<b>(74)</b>	<b>(52)</b>	<b>113</b>	<b>640</b>	<b>23,011</b>	<b>45</b>	<b>23,056</b>
Balance at 1 January 2006	9,289	13,095	(74)	(52)	113	640	23,011	45	23,056
(Loss)/Profit for the year	–	–	–	–	–	(2,531)	(2,531)	59	(2,472)
New shares issued	18	38	–	–	–	–	56	–	56
Dividends payable to minorities	–	–	–	–	–	–	–	(8)	(8)
Issue of shares to minorities	–	–	–	–	–	–	–	11	11
Disposal of own shares	–	–	13	–	–	–	13	–	13
Share based payment charge	–	–	–	–	235	–	235	–	235
Exchange differences on translating foreign operations	–	–	–	(77)	–	–	(77)	(15)	(92)
<b>Balance at 31 December 2006</b>	<b>9,307</b>	<b>13,133</b>	<b>(61)</b>	<b>(129)</b>	<b>348</b>	<b>(1,891)</b>	<b>20,707</b>	<b>92</b>	<b>20,799</b>
Balance at 1 January 2007	9,307	13,133	(61)	(129)	348	(1,891)	20,707	92	20,799
(Loss)/Profit for the year	–	–	–	–	–	(3,264)	(3,264)	30	(3,234)
Dividends payable to minorities	–	–	–	–	–	–	–	(8)	(8)
Issue of shares to minorities	–	–	–	–	–	–	–	5	5
Share based payment charge	–	–	–	–	83	–	83	–	83
Exchange differences on translating foreign operations	–	–	–	(103)	–	–	(103)	(4)	(107)
<b>Balance at 31 December 2007</b>	<b>9,307</b>	<b>13,133</b>	<b>(61)</b>	<b>(232)</b>	<b>431</b>	<b>(5,155)</b>	<b>17,423</b>	<b>115</b>	<b>17,538</b>

\* 2005 balances have been restated. See Note 2.1 Basis of preparation.

The accompanying Notes are an integral part of the consolidated statement of changes in equity.

**Consolidated Balance Sheet  
At 31 December**

	<i>Notes</i>	<i>2007</i> £000	<i>2006</i> £000	<i>2005</i> £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	13	5	9	13
Goodwill	12	–	–	–
Property, plant and equipment	14	14,574	14,787	15,005
Investments	15	7,570	11,279	11,044
Deferred income tax assets	10	2,657	3,014	2,951
		<u>24,806</u>	<u>29,089</u>	<u>29,013</u>
<b>Current assets</b>				
Trade and other receivables	16	7,733	5,212	7,271
Current tax asset		59	30	
Investments	17	–	23	23
Cash and cash equivalents	18	859	1,963	3,567
		<u>8,651</u>	<u>7,228</u>	<u>10,861</u>
<b>Total assets</b>		<u>33,457</u>	<u>36,317</u>	<u>39,874</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Called-up share capital	19	9,307	9,307	9,289
Share premium account		13,133	13,133	13,095
Investment in own shares		(61)	(61)	(74)
Translation reserve		(232)	(129)	(52)
Share based payment reserve		431	348	113
Retained earnings		(5,155)	(1,891)	640
<b>Equity attributable to the equity holders of the parent</b>		<u>17,423</u>	<u>20,707</u>	<u>23,011</u>
Minority interest		115	92	45
<b>Total equity</b>		<u>17,538</u>	<u>20,799</u>	<u>23,056</u>
<b>Non-current liabilities</b>				
Borrowings	20	7,243	6,948	6,451
Other creditors	20	69	41	–
Financial instruments	20	200	181	423
Deferred income tax liabilities	10	2,657	3,014	2,951
		<u>10,169</u>	<u>10,184</u>	<u>9,825</u>
<b>Current liabilities</b>				
Trade and other payables	21	4,891	5,250	6,354
Current income tax liabilities	21	36	43	26
Borrowings	21	823	41	613
		<u>5,750</u>	<u>5,334</u>	<u>6,993</u>
<b>Total liabilities</b>		<u>15,919</u>	<u>15,518</u>	<u>16,818</u>
<b>Total equity and liabilities</b>		<u>33,457</u>	<u>36,317</u>	<u>39,874</u>

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

- 2007: Chris Masters, Chairman and Martin Frost, Chief Executive Officer on 3 March 2008.
- 2006: Chris Masters, Chairman and Martin Frost, Chief Executive Officer on 28 February 2007.
- 2005: Johan Björkland, Chairman and Martin Frost, Managing Director on 6 March 2006.

The accompanying Notes are an integral part of the consolidated balance sheet.

**Consolidated Cash Flow Statement  
For the year ended 31 December**

	2007	2006	2005
	£000	£000	£000
<b>(Loss)/Profit before income tax</b>	(3,314)	(2,523)	1,211
Depreciation and amortisation charges	409	422	958
Profit on disposal of investments	(1,376)	(392)	(1,573)
Change in fair value	3,701	876	(1,808)
Change in fair value of interest rate swap	19	(242)	8
Bonus accrual	(327)	(384)	320
Share based payment charge	83	235	107
(Increase)/Decrease in receivables	(2,599)	2,059	(2,100)
(Decrease)/Increase in payables	(140)	(747)	1,653
UK corporation tax received (net)	50	35	21
Foreign corporation tax (paid)/received (net)	(6)	3	(10)
<b>Cash flows from operating activities</b>	<b>(3,500)</b>	<b>(658)</b>	<b>(1,213)</b>
Purchase of property, plant and equipment	(200)	(212)	(610)
Proceeds from sale of property, plant and equipment	5	–	–
Loans repaid by related parties	63	–	(691)
Loan repayments received from third parties	(34)	–	1,493
Purchase of financial assets at fair value through the profit and loss	(185)	(1,279)	(678)
Sale of current assets investments	23	–	–
Sale of subsidiary undertaking	1,488	–	–
Sale of financial assets at fair value through the profit and loss	165	540	5
<b>Cash flows from investing activities</b>	<b>1,325</b>	<b>(951)</b>	<b>(481)</b>
Issue of ordinary share capital	–	56	–
Disposal of own shares	–	13	–
Issue of shares by subsidiary undertakings to minority interests	5	11	79
Issue/(repayment) of loans by minority interests to subsidiary undertakings	13	(11)	30
Issue/(repayment) of other loans	1,064	(64)	(11)
<b>Cash flows from financing activities</b>	<b>1,082</b>	<b>5</b>	<b>98</b>
<b>Decrease in cash and cash equivalents in the year</b>	<b>(1,093)</b>	<b>(1,604)</b>	<b>(1,596)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,963</b>	<b>3,567</b>	<b>5,144</b>
<b>Exchange (losses)/gains on cash</b>	<b>(11)</b>	<b>–</b>	<b>19</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>859</b>	<b>1,963</b>	<b>3,567</b>



## Notes to the Financial Statements

### 1 General information

Sagentia Switzerland and its subsidiaries is an integrated technology consulting, development and venture organisation, that commercialises emerging science and technology.

Sagentia Switzerland is the ultimate parent company in which results of all Existing Sagentia Group companies are consolidated, is incorporated in Switzerland and has its primary listing on the London Stock Exchange (SGA.L)

### 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 the Existing Sagentia Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued and effective or issued at the time of preparing these statements.

2005: The consolidated financial statements of the Existing Sagentia Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued and effective or issued at the time of preparing the statements. The Existing Sagentia Group has decided to adopt early IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006). This amendment changes the definition of financial instruments as part of this category.

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 the Company'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 26.

2006: These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets at fair value, as allowed by IAS39 Financial Instruments: Recognition and Measurement. Of the new Standards and Interpretations effective for the year ending 31 December 2006, listed below, there was no impact on the presentation of the accounts of Sagentia Switzerland.

<i>Number</i>	<i>Title</i>
IFRS 4 (Amendment)	Insurance Contracts
	Amendment for financial guarantee contracts
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRS 6	Exploration for and Evaluation of Mineral Assets
IAS 19 (Amendment)	Employee Benefits
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2006 are listed below. The Existing Sagentia Group has not adopted these early. Other than additional disclosure, there is no impact on the preparation of the accounts of the group on the adoption of these standards.

<i>Number</i>	<i>Title</i>
IAS 1 (Amendment)	Presentation of Financial Statements Added disclosures about an entity's capital
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRS 7	Financial Instruments: Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	IFRS 2: Group and Treasury Share Transactions

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 the Companies 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 26.

The allocation of the minority interest as at 31 December 2005 has been restated in the year to 31 December 2006 as follows: excess losses of the minorities have now been allocated to the majority interest in line with accounting standards.

2007: These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets at fair value, as allowed by IAS39 Financial Instruments: Recognition and Measurement. Of the new Standards and Interpretations effective for the year ended 31 December 2007, listed below, there was no impact on the presentation of the financial statements of Sagentia Switzerland.

<i>Number</i>	<i>Title</i>
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRS 7	Financial Instruments: Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2007 are listed below. The Existing Sagentia Group has not adopted these early. Other than additional disclosure, there will be no impact on the preparation of the accounts of the group on the adoption of these standards.

<i>Number</i>	<i>Title</i>	<i>Effective</i>
IFRIC 11	IFRS 2: Group and Treasury Share Transactions	1 Jan 2008
IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes	1 Jul 2008
IFRIC 14	Defined Benefit Asset and Minimum Funding Requirements	1 Jan 2008
IFRS 3 (Revised)	Business Combinations	1 Jul 2009
IFRS 2 (Amendment)	Share Based Payments	1 Jan 2009
IAS 1	Presentation of Financial Statements – Capital Disclosures	1 Jan 2009
IAS 23 (Revised)	Borrowing Costs	1 Jan 2009
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements	1 Jul 2009
IFRS 8	Operating Segments	1 Jan 2009

IAS 1, Presentation of Financial Statements (Revised 2007) will result in changes to the presentation of the Existing Sagentia Group's financial statements as the format currently adopted for the Statement of Changes in Equity will no longer be permitted. Instead, the Existing Sagentia Group will present a Statement of Comprehensive Income combining the existing Income Statement with other

income and expenses currently presented as part of the Statement of Changes in Equity. In addition, the Existing Sagentia Group will present a separate Statement of Changes in Equity showing owner changes in equity.

IAS 23 Borrowing Costs (Revised 2007) requires that borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of the asset. The standard must be applied for accounting periods beginning on or after 1 January 2009. The Existing Sagentia Group's current accounting policy is to recognise borrowing costs in the income statement as incurred. Where the Existing Sagentia Group has funded the acquisition or construction of property, plant and equipment through borrowings, application of the standard is expected to increase the cost of the asset and the depreciation charge and reduce finance costs.

IFRS 3 Business Combinations (Revised 2008) will apply to any future business combinations that the Existing Sagentia Group may undertake once it is in force. The Existing Sagentia Group 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 the Existing Sagentia Group's financial statements, in their periods of initial application, except for the additional disclosures on operating segments when IFRS 8 Operating Segments comes into effect.

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 the Existing Sagentia Group'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 26.

## 2.2 *Basis of consolidation*

The consolidated financial statements of Sagentia Switzerland have been prepared in conformity with International Financial Reporting Standards ("IFRS"). In accordance with the rules of the London Stock Exchange and applicable legislation, Sagentia Switzerland was required to adopt IFRS for accounting periods beginning on January 1, 2005. The Existing Sagentia Group has applied the business combinations exemptions in IFRS 1. It has not restated business combinations that took place prior to the 1 January 2004 transition date.

The Existing Sagentia Group financial statements consolidate the financial statements of Sagentia Switzerland and its subsidiary undertakings drawn up to 31 December each year. Sagentia Switzerland was incorporated in 1996 under the name of Catella AG; in 1998 changed its name to The Generics Group AG; and in 2006 changed its name to Sagentia Group AG. Sagentia Switzerland, as part of a group reorganisation, became the parent of The Generics Group Ltd (now Sagentia Group 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 under FRS 6 'Acquisitions and Mergers', and, as such, was accounted for via merger accounting. 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.

The basis of consolidation is set out below:

**Subsidiaries** – Subsidiaries are entities over which the Existing Sagentia Group 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 the Existing Sagentia Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Existing Sagentia Group. 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 the Existing Sagentia Group holds control, but holds these investments for ultimate disposal and capital gain. The Existing Sagentia Group accounts for such investments as subsidiaries until either they are disposed of or the Existing Sagentia Group issues shares to minorities and allows control to pass.

**Investments** – Investments are investments in which the Existing Sagentia Group does not hold significant influence. Where the Existing Sagentia Group 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.

### 2.3 *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

### 2.4 *Intangible assets*

#### (a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Existing Sagentia Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Existing Sagentia Group's investment in each country of operation by each primary reporting segment.

#### (b) *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 the Existing Sagentia Group, 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 1.7 re requirements of internally developed software) are amortised over their useful lives (not exceeding three years).

### 2.5 *Impairment of assets*

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are expensed when foreseen. The recoverable amount is the higher of an assets fair value less costs to sell, and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.6 **Research expenditure**

Research expenditure is written off as incurred.

2.7 **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 projects criteria are met that would allow such costs to be capitalised. The Existing Sagentia Group 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).

2.8 **Property, plant and equipment**

Land and buildings 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 the Existing Sagentia Group 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, in accordance with the policy note 1.5.

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

## 2.9 *Investments*

The Directors consider that a substantial measure of the performance of the Existing Sagentia Group is assessed through changes in fair value arising from the investment activity of the Existing Sagentia Group. Consequently, the Existing Sagentia Group classifies its investments that are not controlled investments as equity investments and loans and receivables 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 Private Equity and 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 the Existing Sagentia Group 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** – The Existing Sagentia Group 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 the Existing Sagentia Group. The Existing Sagentia Group identify these activities separately as Venture Subsidiaries, and such investments are consolidated, in accordance with the Existing Sagentia Group’s policy on consolidation.

## 2.10 *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 the Existing Sagentia Group 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.

## 2.11 *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 2.12 *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 the Existing Sagentia Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### 2.13 *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 Existing Sagentia Group company purchases the Sagentia Switzerland'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 Sagentia Switzerland'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 Sagentia Switzerland's equity holders.

The Existing Sagentia Group also has an Employee Share Ownership Trust (ESOT) for assisting with the obligations under share option and other employee remuneration schemes. The ESOT is consolidated as if it were a subsidiary. Shares in the Existing Sagentia Group held by the ESOT are stated at cost and presented in the balance sheet as a deduction from equity under the heading of Investment in Own Shares. Finance and administration costs relating to the ESOT are charged to operating costs.

### 2.14 *Revenue recognition*

Existing Sagentia Group revenue comprises the value of sales (excluding VAT) of services provided in the normal course of business. The Existing Sagentia Group 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.

### 2.15 *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. Progress payments in excess of work done are included in payables as payments on account.

### 2.16 *Foreign currency*

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Existing Sagentia Group'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 Sagentia Switzerland'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 the group 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.

## 2.17 *Employee benefits*

(a) *Pension obligations*

Existing Sagentia 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 per cent. and 20 per cent., or trustee-administered funds determined by periodic actuarial calculations. The Existing Sagentia Group has defined contribution plans. A defined contribution plan is a pension plan under which the Existing Sagentia Group pays fixed contributions into a separate entity. The Existing Sagentia Group 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, the Existing Sagentia Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Existing Sagentia Group 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*

The Existing Sagentia Group 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.

The Existing Sagentia Group has elected to apply the share based payment exemption. It applied IFRS 2 from 1 January 2004 to those options that were issued after 7 November 2002 but that had not vested by 1 January 2005.

(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. The Existing Sagentia Group 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*

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

## 2.18 *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 and associates, except where the timing of the reversal of the temporary difference is controlled by the Existing Sagentia Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2.19 *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.

## 2.20 *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.

## 2.21 *Capitalisation of borrowing costs and interest*

Finance costs of debt are recognised in the profit and loss account 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.

## 2.22 *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. However, no other type of Sagentia Switzerland's financial instruments currently falls 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*

The Existing Sagentia Group'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. The Existing Sagentia Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Existing Sagentia Group's financial performance. The Existing Sagentia Group 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 the Existing Sagentia Group'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*

The Existing Sagentia Group 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 future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Existing Sagentia Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future 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.

The Existing Sagentia Group's risk management policy is to hedge anticipated transactions when there is certainty of receipt of funds. The Existing Sagentia Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Existing Sagentia Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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

<i>2007 £000s</i>	<i>US\$</i>	<i>Euro</i>	<i>HK\$</i>	<i>Swedish</i>	
				<i>Krona</i>	<i>Other</i>
Financial assets	911	523	284	144	5,180
Financial liabilities	(17)	(51)	(44)	(93)	(1,439)
<b>Short-term exposure</b>	<b>894</b>	<b>472</b>	<b>240</b>	<b>51</b>	<b>3,741</b>
Financial assets	17	–	–	–	7,553
Financial liabilities	–	–	(10)	(65)	(7,368)
<b>Long-term exposure</b>	<b>17</b>	<b>–</b>	<b>(10)</b>	<b>(65)</b>	<b>185</b>
				<i>Swedish</i>	
				<i>Krona</i>	<i>Other</i>
<i>2006 £000s</i>	<i>US\$</i>	<i>Euro</i>	<i>HK\$</i>		
Financial assets	690	465	168	174	4,323
Financial liabilities	–	(21)	(32)	(86)	(693)
<b>Short-term exposure</b>	<b>690</b>	<b>444</b>	<b>136</b>	<b>88</b>	<b>3,630</b>
Financial assets	17	–	–	–	11,262
Financial liabilities	–	–	–	(62)	(7,067)
<b>Long-term exposure</b>	<b>17</b>	<b>–</b>	<b>–</b>	<b>(62)</b>	<b>4,195</b>

The following table illustrates the sensitivity of the net movement on reserves and equity in regards to the Existing Sagentia Group'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 +/- 5 per cent. change of the GBP/US dollar exchange rate for the year ended at 31 December 2007 (2006: 10 per cent.). A +/- 10 per cent. change is considered for the GBP/Euro exchange rate (2006: 5 per cent.). A +/- 5 per cent. change is considered for the GBP/Hong Kong dollar exchange rate (2006: 10 per cent.). 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 Switzerland'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 5 per cent. (2006: 10 per cent.), 10 per cent. (2006: 5 per cent.) and 5 per cent. (2006: 10 per cent.) respectively then this would have had the following impact:

<i>2007 £000s</i>	<i>US\$</i>	<i>Euro</i>	<i>HK\$</i>	<i>Total</i>
Movement on reserves in the year	(46)	(47)	(11)	(104)
Equity	(46)	(47)	(11)	(104)

If the GBP had weakened against the US dollar, Euro and Hong Kong dollar by 5 per cent. (2006: 10 per cent.), 10 per cent. (2006: 5 per cent.) and 5 per cent. (2006: 10 per cent.) respectively then this would have had the following impact:

<i>2007 £000s</i>	<i>US\$</i>	<i>Euro</i>	<i>HK\$</i>	<i>Total</i>
Movement on reserves in the year	46	47	11	104
Equity	46	47	11	104

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 Switzerland's exposure to currency risk.

(b) *Interest rate sensitivity*

Sagentia Switzerland'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 2007, Sagentia Switzerland is exposed to changes in market interest rates through its short term bank borrowings, which are subject to variable interest rates – see Note 22 for further information.

The Existing Sagentia Group 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, the Existing Sagentia Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Existing Sagentia Group borrowed at fixed rates directly. Under the interest-rate swaps, the Existing Sagentia Group 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.

The Existing Sagentia Group's financial liabilities and their interest rate profile are as follows:

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Sterling – bank loan	7,578	6,531	6,593
Swedish Krona – bank loan	58	41	43
	<u>7,636</u>	<u>6,572</u>	<u>6,636</u>
<b>Weighted average interest rate</b>	<i>%</i>	<i>%</i>	<i>%</i>
Sterling – fixed rate bank loan	7.1	7.1	7.1
Swedish Krona – floating rate bank loan	5.5	5.5	5.5

For benchmark rates of interest, the Existing Sagentia Group refers to both the LIBOR and EUROBOR rates.

The bank loans are secured via a fixed charge over assets of the Existing Sagentia Group and are repayable as disclosed in Note 22.

Terms and conditions of the interest rate swap are as disclosed in Note 20.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +0.5 per cent. and -0.5 per cent. (2006: +/- 0.5 per cent.), 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 Switzerland's financial instruments held at each balance sheet date. All other variables are held constant.

	2007	2007	2006	2006
	£000	£000	£000	£000
	+0.5%	-0.5%	+0.5%	-0.5%
Net result for the year	(12)	12	(3)	3
Equity	(12)	12	(3)	3

(c) *Price risk*

Sagentia Switzerland is exposed to other price risk in respect of its listed equity securities, and the participation in CMR Fuel Cells plc. Sagentia Switzerland's sensitivity to price risk in regards to its participation in CMR Fuel Cells plc cannot be reliably determined due to numerous uncertainties regarding the future development of the company.

Sagentia Switzerland holds 2,234,540 shares (2006 – 2,234,540 shares) in CMR Fuel Cells plc. If the share price moves by +/- 1p then Sagentia Switzerland's investment at fair value moves by +/- £22,345. Sagentia Switzerland holds no shares (2006 – 3,549,265 shares) in Nanoscience Inc.

Any investments in listed equity securities are considered long-term, strategic investments. In accordance with Sagentia Switzerland'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 Switzerland's favour.

(d) *Credit risk analysis*

The Existing Sagentia Group 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. The Existing Sagentia Group has policies that limit the amount of credit exposure to any financial institution.

Sagentia Switzerland's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007	2006
	£000	£000
Classes of financial assets – carrying amounts		
Loans and receivables and equity investments	7,570	11,279
Cash and cash equivalents	859	1,963
Trade and other receivables	6,183	3,857
	<u>14,612</u>	<u>17,099</u>

Sagentia Switzerland 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 Switzerland'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 Switzerland's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, Sagentia Switzerland 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 Switzerland 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 Switzerland 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 2007, Sagentia Switzerland's liabilities have contractual maturities which are summarised below:

2007	Current		Non-current	
	within 6 months £000	6 to 12 months £000	1 to 5 years £000	Later than 5 years £000
Long-term bank loans	823	–	7,243	–
Trade payables	821	–	–	–
Derivatives	–	–	200	–
	<u>1,644</u>	<u>–</u>	<u>7,443</u>	<u>–</u>

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

2006	Current		Non-current	
	within 6 months £000	6 to 12 months £000	1 to 5 years £000	Later than 5 years £000
Long-term bank loans	41	–	6,948	–
Trade payables	791	–	–	–
Derivatives	–	–	181	–
	<u>832</u>	<u>–</u>	<u>7,129</u>	<u>–</u>

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

(f) *Summary of financial assets and liabilities by category*

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

	2007 £000	2006 £000
<b>Non-current assets</b>		
Loans and receivables	1,678	1,836
Equity investments	5,892	9,443
	<u>7,570</u>	<u>11,279</u>
<b>Current assets</b>		
Trade and other receivables:		
– trade receivables	6,183	3,857
Cash and cash equivalents	859	1,963
	<u>7,042</u>	<u>5,820</u>
<b>Non current liabilities</b>		
Borrowings:		
– Financial liabilities designated at fair value through profit and loss	7,243	6,948
Derivative financial instruments:		
– Financial liabilities held for trading (carried at fair value through profit and loss)	200	181
	<u>7,443</u>	<u>7,129</u>
<b>Current liabilities</b>		
Borrowings:		
– Financial liabilities designated at fair value through profit and loss	823	41
Trade payables:		
– Financial liabilities measured at amortised cost	821	791
	<u>1,644</u>	<u>832</u>

### 3.2 *Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Existing Sagentia Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Existing Sagentia Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for non-traded financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Existing Sagentia Group for similar financial instruments.

#### 4 Segment information

##### *Primary reporting format – business segments*

On 31 December 2007, the Existing Sagentia Group was organised on a worldwide basis into four main business segments:

<i>Year ended 31 December 2007</i>	<i>Consulting and IP exploitation £000</i>	<i>Venture subsidiaries £000</i>	<i>Asset management £000</i>	<i>Property and central services £000</i>	<i>Total £000</i>
Fees	17,852	169	689	2,621	21,331
Recharged project expenses	2,737	–	–	–	2,737
Licence/royalty income	387	–	–	–	387
Less: Inter company trading	(50)	–	(226)	(1,217)	(1,493)
<b>Revenue</b>	<b>20,926</b>	<b>169</b>	<b>463</b>	<b>1,404</b>	<b>22,962</b>
Expenses	(17,699)	(1,559)	(634)	(2,574)	(22,466)
Recharged project expenses	(2,737)	–	–	–	(2,737)
Less: Inter company trading	50	–	226	1,217	1,493
<b>Expenses</b>	<b>(20,386)</b>	<b>(1,559)</b>	<b>(408)</b>	<b>(1,357)</b>	<b>(23,710)</b>
<b>Gross profit/(loss)</b>	<b>540</b>	<b>(1,390)</b>	<b>55</b>	<b>47</b>	<b>(748)</b>
Profit on disposal of investments	–	–	1,376	–	1,376
Change in fair value of financial assets	–	–	(3,701)	–	(3,701)
Bonus accrual	–	–	327	–	327
Cost of options	(67)	–	(7)	(9)	(83)
<b>Operating profit/(loss)</b>	<b>473</b>	<b>(1,390)</b>	<b>(1,950)</b>	<b>38</b>	<b>(2,829)</b>
Finance charges					(485)
<b>Loss before income tax</b>					<b>(3,314)</b>
Tax income					80
<b>Loss for the year</b>					<b>(3,234)</b>



Year ended 31 December 2007

	<i>Consulting and IP exploitation £000</i>	<i>Venture subsidiaries £000</i>	<i>Asset management £000</i>	<i>Property and central services £000</i>	<i>Total £000</i>
<b>Balance sheet analysis</b>					
Intangible assets	9	–	–	–	9
Intangible assets – amortisation	(4)	–	–	–	(4)
Goodwill	312	651	–	–	963
Goodwill – amortisation	(312)	(651)	–	–	(963)
Property, plant and equipment	7,001	44	16	14,168	21,229
Property, plant and equipment – depreciation	(3,999)	(44)	(16)	(2,596)	(6,655)
	<u>3,007</u>	<u>–</u>	<u>–</u>	<u>11,572</u>	<u>14,579</u>
<b>Investments</b>	(2,560)	–	7,570	2,560	7,570
<b>Deferred income tax assets</b>	–	–	–	2,657	2,657
Current assets (excluding cash)	7,460	39	(1,588)	1,881	7,792
Cash and cash equivalents	(169)	1	201	826	859
<b>Total assets</b>	<u>7,738</u>	<u>40</u>	<u>6,183</u>	<u>19,496</u>	<u>33,457</u>
<b>Total liabilities</b> (excluding bank loans and interest bearing liabilities)	<u>8,033</u>	<u>3,248</u>	<u>35</u>	<u>3,580</u>	<u>14,896</u>
<b>Total equity</b> (including loans and interest bearing liabilities)	<u>(295)</u>	<u>(3,208)</u>	<u>6,148</u>	<u>15,916</u>	<u>18,561</u>
<b>Loans and interest bearing liabilities</b>	<u>(823)</u>	<u>–</u>	<u>–</u>	<u>(200)</u>	<u>(1,023)</u>
<b>Total equity</b>	<u>(1,118)</u>	<u>(3,208)</u>	<u>6,148</u>	<u>15,716</u>	<u>17,538</u>
<b>Total equity and liabilities</b>	<u>7,738</u>	<u>40</u>	<u>6,183</u>	<u>19,496</u>	<u>33,457</u>

On 31 December 2006, the Existing Sagentia Group was organised on a worldwide basis into four main business segments:

<i>Year ended 31 December 2006</i>	<i>Consulting and IP exploitation</i>	<i>Venture subsidiaries</i>	<i>Asset management</i>	<i>Property and central services</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fees	18,003	531	764	2,188	21,486
Recharged project expenses	3,392	–	–	–	3,392
Licence/royalty income	137	–	–	–	137
Less: Inter company trading	(60)	–	(279)	(1,030)	(1,369)
<b>Revenue</b>	<b>21,472</b>	<b>531</b>	<b>485</b>	<b>1,158</b>	<b>23,646</b>
Expenses	(18,549)	(1,188)	(700)	(2,683)	(23,120)
Recharged project expenses	(3,392)	–	–	–	(3,392)
Less: Inter company trading	60	–	279	1,030	1,369
<b>Expenses</b>	<b>(21,881)</b>	<b>(1,188)</b>	<b>(421)</b>	<b>(1,653)</b>	<b>(25,143)</b>
<b>Gross (loss)/profit</b>	<b>(409)</b>	<b>(657)</b>	<b>64</b>	<b>(495)</b>	<b>(1,497)</b>
Profit on disposal of investments	–	–	2	390	392
Change in fair value of financial assets	–	–	(876)	–	(876)
Bonus accrual	–	–	384	–	384
Cost of options	(80)	–	(71)	(84)	(235)
Rebranding	(367)	–	–	(265)	(632)
<b>Operating loss</b>	<b>(856)</b>	<b>(657)</b>	<b>(497)</b>	<b>(454)</b>	<b>(2,464)</b>
Finance charges					(59)
<b>Loss before income tax</b>					<b>(2,523)</b>
Tax income					51
<b>Loss for the year</b>					<b>(2,472)</b>

Year ended 31 December 2006

	<i>Consulting and IP exploitation £000</i>	<i>Venture subsidiaries £000</i>	<i>Asset management £000</i>	<i>Property and central services £000</i>	<i>Total £000</i>
Balance sheet analysis					
Intangible assets	13	–	–	–	13
Intangible assets – amortisation	(4)	–	–	–	(4)
Goodwill	312	651	–	–	963
Goodwill – amortisation	(312)	(651)	–	–	(963)
Property, plant and equipment	6,757	50	16	14,248	21,071
Property, plant and equipment – depreciation	(3,713)	(50)	(16)	(2,505)	(6,284)
	<u>3,053</u>	<u>–</u>	<u>–</u>	<u>11,743</u>	<u>14,796</u>
<b>Investments</b>	(2,474)	–	11,279	2,474	11,279
<b>Deferred income tax assets</b>	–	–	–	3,014	3,014
Current assets (excluding cash)	4,507	346	(1,792)	2,204	5,265
Cash and cash equivalents	1,051	82	206	624	1,963
<b>Total assets</b>	<u>6,137</u>	<u>428</u>	<u>9,693</u>	<u>20,059</u>	<u>36,317</u>
<b>Total liabilities</b> (excluding loans and interest bearing liabilities)	<u>8,251</u>	<u>2,867</u>	<u>381</u>	<u>3,797</u>	<u>15,296</u>
<b>Total equity</b> (including bank loans and interest bearing liabilities)	<u>(2,114)</u>	<u>(2,439)</u>	<u>9,312</u>	<u>16,262</u>	<u>21,021</u>
<b>Loans and interest bearing liabilities</b>	<u>(41)</u>	<u>–</u>	<u>–</u>	<u>(181)</u>	<u>(222)</u>
<b>Total equity</b>	<u>(2,155)</u>	<u>(2,439)</u>	<u>9,311</u>	<u>16,081</u>	<u>20,799</u>
<b>Total equity and liabilities</b>	<u>6,137</u>	<u>428</u>	<u>9,693</u>	<u>20,059</u>	<u>36,317</u>

On 31 December 2005, the Existing Sagentia Group was organised on a worldwide basis into four main business segments:

<i>Year ended 31 December 2005</i>	<i>Consulting and IP exploitation</i>	<i>Venture subsidiaries</i>	<i>Asset management</i>	<i>Property and central services</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fees	16,968	288	516	1,833	19,605
Recharged project expenses	2,879	–	–	–	2,879
Licence/royalty income	497	–	–	–	497
Less: Inter company trading	(60)	–	–	(975)	(1,035)
<b>Revenue</b>	<u>20,284</u>	<u>288</u>	<u>516</u>	<u>858</u>	<u>21,946</u>
Expenses	(16,972)	(1,055)	(593)	(2,939)	(21,559)
Recharged project expenses	(2,879)	–	–	–	(2,879)
Less: Inter company trading	60	–	–	975	1,035
<b>Expenses</b>	<u>(19,791)</u>	<u>(1,055)</u>	<u>(593)</u>	<u>(1,964)</u>	<u>(23,403)</u>
<b>Gross profit/(loss)</b>	<u>493</u>	<u>(767)</u>	<u>(77)</u>	<u>(1,106)</u>	<u>(1,457)</u>
Profit on disposal of investments	–	–	1,573	–	1,573
Change in fair value on financial assets	–	–	1,808	–	1,808
Bonus accrual on change in fair value	–	–	(320)	–	(320)
Cost of options	(36)	–	(32)	(39)	(107)
<b>Operating profit/(loss)</b>	<u>457</u>	<u>(767)</u>	<u>2,952</u>	<u>(1,145)</u>	<u>1,497</u>
Finance charges					(286)
<b>Profit before income tax</b>					<u>1,211</u>
Income tax expense					4
<b>Profit for the year</b>					<u>1,215</u>

Year ended 31 December 2005

	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
<b>Balance sheet analysis</b>					
Intangible assets	14	–	–	–	14
Intangible assets – amortisation	(1)	–	–	–	(1)
Goodwill	312	651	–	–	963
Goodwill – amortisation	(312)	(651)	–	–	(963)
Property, plant and equipment	7,146	133	16	14,326	21,621
Property, plant and equipment – depreciation	(4,053)	(130)	(16)	(2,417)	(6,616)
	<u>3,106</u>	<u>3</u>	<u>–</u>	<u>11,909</u>	<u>15,018</u>
Investments	(2,389)	–	11,044	2,389	11,044
Deferred income tax assets	–	–	–	2,951	2,951
Current assets (excluding cash)	6,690	151	(1,797)	2,250	7,294
Cash and cash equivalents	2,383	32	239	913	3,567
<b>Total assets</b>	<u>9,790</u>	<u>186</u>	<u>9,486</u>	<u>20,412</u>	<u>39,874</u>
<b>Total liabilities</b> (excluding loans and interest bearing liabilities)	<u>10,486</u>	<u>(70)</u>	<u>3,341</u>	<u>2,448</u>	<u>16,205</u>
<b>Total equity</b> (excluding loans and interest bearing liabilities)	<u>(696)</u>	<u>256</u>	<u>6,145</u>	<u>17,964</u>	<u>23,669</u>
<b>Loans and interest bearing liabilities</b>	<u>(613)</u>	<u>–</u>	<u>–</u>	<u>(423)</u>	<u>(1,036)</u>
<b>Total equity</b>	<u>(1,309)</u>	<u>256</u>	<u>6,145</u>	<u>17,541</u>	<u>22,633</u>
<b>Total equity and liabilities</b>	<u>9,790</u>	<u>186</u>	<u>9,486</u>	<u>20,412</u>	<u>39,874</u>

**Capital expenditure by business and geographical segment**

Year ended 31 December 2007

	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
United Kingdom	70	–	–	5	75
Other European countries	92	–	–	–	92
North America	17	–	–	–	17
Other	16	–	–	–	16
	<u>195</u>	<u>–</u>	<u>–</u>	<u>5</u>	<u>200</u>

Year ended 31 December 2006

	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
United Kingdom	78	–	–	7	85
Other European countries	85	–	–	–	85
North America	34	–	–	–	34
Other	8	–	–	–	8
	<u>205</u>	<u>–</u>	<u>–</u>	<u>7</u>	<u>212</u>

### *Secondary reporting format – geographical segments*

The Existing Sagentia Group's four business segments operate in four main geographical areas, even though they are managed on a worldwide basis.

Revenue by geographical area is as follows:

	<i>United Kingdom</i>	<i>Other European countries</i>	<i>North America</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Year ended 31 December 2007	11,839	5,555	4,736	832	22,962
Year ended 31 December 2006	10,755	8,210	4,149	532	23,646
Year ended 31 December 2005	10,522	7,463	3,433	528	21,946

For the purpose of the analysis of revenue, geographical markets are defined as the country or area in which the client is based. Turnover and operating results arise from the Existing Sagentia Group's principal activities and are primarily generated by employees of the Existing Sagentia Group's United Kingdom subsidiary undertakings.

Assets by geographical area is as follows:

	<i>United Kingdom</i>	<i>Other European countries</i>	<i>North America</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Year ended 31 December 2007	25,187	7,374	585	311	33,457
Year ended 31 December 2006	27,253	8,199	673	192	36,317
Year ended 31 December 2005	26,954	11,929	845	146	39,874

For the purpose of the analysis of assets, geographical markets are defined as the country or area in which the asset is based.

## 5 Operating expenses

### *Expenses by nature*

<i>Year ended 31 December</i>		<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Employee benefit expense (excluding share options)	7	13,303	14,966	14,254
Rechargeable project expenses		2,737	3,392	2,879
Operating third party expenses		1,473	1,152	–
Occupancy costs		1,684	1,443	1,598
Equipment and consumables		918	972	1,362
Selling and marketing expenses		1,654	1,703	1,213
Depreciation of property, plant and equipment	14	405	418	958
Patent fees		293	341	352
Recruitment and training		345	360	343
Amortisation of intangible assets	13	4	4	1
Foreign currency losses/(gains)		16	335	(261)
Other		878	57	704
		<u>23,710</u>	<u>25,143</u>	<u>23,403</u>
<i>Included above</i>		<i>2007</i>	<i>2006</i>	<i>2005</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Research and development		6,085	5,193	5,057
Operating lease rentals				
Plant and machinery		52	49	53
Other		138	76	75
Auditors' remuneration				
<b>Services to Sagentia Switzerland and its subsidiaries</b>				
Fees payable to the Sagentia Switzerland's auditors for the audit of the financial statements		23	25	25
<b>Fees payable to the Sagentia Switzerland's auditors and its associates for other services:</b>				
Audit of the financial statements of the Sagentia Switzerland's subsidiaries (associates) pursuant to legislation		63	58	65
Other services supplied pursuant to legislation		<u>7</u>	<u>8</u>	<u>1</u>

## 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 line for the reporting periods presented:

<i>Year ended 31 December</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Finance income</b>			
Bank interest receivable and similar income	86	110	50
<b>Finance costs</b>			
Bank loans, other loans and overdrafts	<u>(552)</u>	<u>(411)</u>	<u>(328)</u>
<b>Other financial result</b>			
<i>Year ended 31 December</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Change in fair value of interest rate swap	<u>(19)</u>	<u>242</u>	<u>(8)</u>

## 7 Employee benefit expense

Employment costs are shown below:

<i>Year ended 31 December</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wages and salaries (including bonuses and healthcare costs)	10,807	12,244	11,803
Social security costs	1,538	1,651	1,536
Share options granted to directors and employees	83	235	107
Other pension costs	958	1,071	915
	<u>13,386</u>	<u>15,201</u>	<u>14,361</u>

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

<i>Year ended 31 December</i>	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Technology consultants	153	158	142
Marketing, support, administration and other technically-qualified staff	60	72	72
	<u>213</u>	<u>230</u>	<u>214</u>



## 8 Directors' remuneration, interests and transactions

### Aggregate remuneration

Year ended 31 December	2007	2006	2005
	£000	£000	£000
Emoluments	336	366	356
Bonuses	19	9	37
Money purchase pension scheme contributions	20	40	38
Compensation for loss of office	–	191	–
	<u>375</u>	<u>606</u>	<u>431</u>
Fees to third parties	<u>24</u>	<u>74</u>	<u>35</u>

Fees to third parties comprise amounts paid to Wiederkehr Forster under an agreement by which Martin Forster provides the Existing Sagentia Group with legal services.

### Directors' emoluments and benefits include

#### Year ended 31 December 2007

Name of Director	Salary/fee £000	Bonuses £000	Taxable Benefits £000	Pension contribution £000	Gains on exercise of share options £000	Compen- sation for loss of office £000	Total £000
Masters	50	–	–	–	–	–	50
Frost	150	19	1	18	–	–	188
Flicos	88	–	1	2	–	–	91
Edge	15	–	1	–	–	–	16
Björklund	–	–	–	–	–	–	–
Forster	–	–	–	–	–	–	–
Kylberg	15	–	–	–	–	–	15
Rauh	15	–	–	–	–	–	15
Ludvigsson	–	–	–	–	–	–	–
Aggregate emoluments	<u>333</u>	<u>19</u>	<u>3</u>	<u>20</u>	<u>–</u>	<u>–</u>	<u>375</u>

#### Year ended 31 December 2006

Name of Director	Salary/fee £000	Bonuses £000	Taxable Benefits £000	Pension contribution £000	Gains on exercise of share options £000	Compen- sation for loss of office £000	Total £000
Masters	31	–	–	–	–	–	31
Frost	150	6	1	18	–	–	175
Davey	138	3	1	22	–	191	355
Edge	15	–	–	–	–	–	15
Björklund	–	–	–	–	–	–	–
Forster	–	–	–	–	–	–	–
Kylberg	15	–	–	–	–	–	15
Rauh	15	–	–	–	–	–	15
Ludvigsson	–	–	–	–	–	–	–
Aggregate emoluments	<u>364</u>	<u>9</u>	<u>2</u>	<u>40</u>	<u>–</u>	<u>191</u>	<u>606</u>

Year ended 31 December 2005

<i>Name of Director</i>	<i>Salary/fee £000</i>	<i>Bonuses £000</i>	<i>Taxable Benefits £000</i>	<i>Pension contribution £000</i>	<i>Gains on exercise of share options £000</i>	<i>Compen- sation for loss of office £000</i>	<i>Total £000</i>
Frost	123	–	1	14	–	–	138
Davey	151	37	1	24	–	–	213
Edge	50	–	–	–	–	–	50
Björklund	–	–	–	–	–	–	–
Forster	–	–	–	–	–	–	–
Kylberg	15	–	–	–	–	–	15
Rauh	15	–	–	–	–	–	15
Ludvigsson	–	–	–	–	–	–	–
Aggregate emoluments	<u>354</u>	<u>37</u>	<u>2</u>	<u>38</u>	<u>–</u>	<u>–</u>	<u>431</u>

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

## 9 Tax income

The tax charge comprises:

<i>Year ended 31 December</i>	<i>2007 £000</i>	<i>2006 £000</i>	<i>2005 £000</i>
Foreign taxation	(16)	3	(6)
Current taxation	96	48	10
Deferred taxation (Note 10)	–	–	–
	<u>80</u>	<u>51</u>	<u>4</u>

The Existing Sagentia Group has available tax losses of approximately £78.8 million (2006: £88.4 million, 2005: £87.4 million).

The tax on the Existing Sagentia Group'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:

	<i>2007 £000</i>	<i>2006 £000</i>	<i>2005 £000</i>
Loss on ordinary activities before tax	(3,314)	(2,523)	1,211
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	(994)	(757)	363
Expenses not deductible for tax purposes	545	40	620
Income not subject to tax	(101)	(89)	(1,384)
Accelerated capital allowances	(205)	(64)	(6)
R&D tax relief	(203)	–	(10)
R&D tax credit received in respect of prior years	(96)	(48)	–
Other timing differences	33	7	12
Tax losses for which no deferred income tax asset was recognised	<u>941</u>	<u>860</u>	<u>401</u>
Tax credit	<u>(80)</u>	<u>(51)</u>	<u>(4)</u>

The weighted average statutory applicable tax rate was 30 per cent. (2006: 30 per cent., 2005: 30 per cent.).

## 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:

	2007 £000	2006 £000	2005 £000
<b>Deferred tax assets:</b>			
Deferred tax asset to be recovered after more than 12 months	2,657	3,014	2,951
Deferred tax asset to be recovered within 12 months	–	–	–
	<u>2,657</u>	<u>3,014</u>	<u>2,951</u>
<b>Deferred tax liabilities:</b>			
Deferred tax asset to be recovered after more than 12 months	(2,657)	(3,014)	(2,951)
Deferred tax asset to be recovered within 12 months	–	–	–
	<u>(2,657)</u>	<u>(3,014)</u>	<u>(2,951)</u>
<b>Total</b>	<u>–</u>	<u>–</u>	<u>–</u>

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:

	<i>Deferred tax liability**</i>	<i>Deferred tax asset*</i>	<i>Total</i>
<b>At 1 January 2005</b>	(3,026)	3,026	–
Charged/(credited) to the income statement	75	(75)	–
<b>At 31 December 2005</b>	(2,951)	2,951	–
(Credited)/charged to the income statement	(63)	63	–
<b>At 31 December 2006</b>	(3,014)	3,014	–
Charged/(credited) to the income statement	357	(357)	–
<b>At 31 December 2007</b>	<u>(2,657)</u>	<u>2,657</u>	<u>–</u>

\*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. The Existing Sagentia Group did not recognise deferred income tax assets of £20,994,000 (2006: £23,521,000, 2005: £23,783,000) in respect of losses amounting to £70,273,000 (2006: £78,700,000, 2005: £79,020,000) and other temporary differences amounting to £88,000 (2006: £89,000, 2005: £257,000) that can be carried forward against future taxable income.

## 11 (Loss)/Profit per share

The calculations of (loss)/profit per share are based on the following losses and numbers of shares:

### *Basic*

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
(Loss)/Profit for the financial year	<u>(3,234)</u>	<u>(2,472)</u>	<u>1,215</u>
Weighted average number of shares:			
	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
For basic earnings per share	215,965,577	215,158,527	215,548,800
For fully diluted earnings per share	<u>215,965,577</u>	<u>215,157,670</u>	<u>216,750,679</u>

Only the share options granted, as disclosed in note 18, are dilutive. Options have no dilutive effect in loss-making years, and hence the diluted loss per share for 2007 and 2006 is the same as the basic loss per share.

## 12 Goodwill

On transition from UK GAAP to IFRS, the carrying value of the Existing Sagentia Group's goodwill was £Nil.

### 13 Intangible assets

#### *Software*

	<i>Total £000</i>
<b>At 1 January 2005</b>	
Cost or valuation	–
Accumulated amortisation	–
Net book amount	<u>–</u>
<b>Year ended 31 December 2005</b>	
Opening net book amount	–
Additions – purchased	14
Disposals	–
Amortisation charge	(1)
Closing net book amount	<u>13</u>
<b>At 31 December 2005</b>	
Cost or valuation	14
Accumulated amortisation	(1)
Net book amount	<u>13</u>
<b>Year ended 31 December 2005</b>	
Cost	14
Accumulated amortisation	(1)
Net book amount	<u>13</u>
<b>Year ended 31 December 2006</b>	
Opening net book amount	13
Amortisation charge	(4)
Closing net book amount	<u>9</u>
<b>At 31 December 2006</b>	
Cost	14
Accumulated amortisation	(5)
Net book amount	<u>9</u>
<b>Year ended 31 December 2007</b>	
Opening net book amount	9
Amortisation charge	(4)
Closing net book amount	<u>5</u>
<b>At 31 December 2007</b>	
Cost	14
Accumulated amortisation	(9)
Net book amount	<u>5</u>

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.

## 14 Property plant and equipment

	<i>Freehold land and buildings £000</i>	<i>Furniture and fittings £000</i>	<i>Equipment £000</i>	<i>Total £000</i>
<b>At 1 January 2005</b>				
Cost or valuation	16,570	890	3,698	21,158
Accumulated depreciation	(1,779)	(767)	(3,228)	(5,774)
Net book amount	<u>14,791</u>	<u>123</u>	<u>470</u>	<u>15,384</u>
<b>Year ended 31 December 2005</b>				
Opening net book amount	14,791	123	470	15,384
Exchange differences on cost	–	–	(77)	(77)
Exchange differences on depreciation	–	–	59	59
Additions	112	244	387	743
Disposals	–	(27)	(175)	(202)
Depreciation charge	(610)	(78)	(270)	(958)
Depreciation on disposals	–	27	29	56
Closing net book amount	<u>14,293</u>	<u>289</u>	<u>423</u>	<u>15,005</u>
<b>At 1 January 2006</b>				
Cost	16,682	1,107	3,833	21,622
Accumulated depreciation	(2,389)	(818)	(3,410)	(6,617)
Net book amount	<u>14,293</u>	<u>289</u>	<u>423</u>	<u>15,005</u>
<b>Year ended 31 December 2006</b>				
Opening net book amount	14,293	289	423	15,005
Exchange differences on cost	–	(1)	(61)	(62)
Exchange differences on depreciation	–	–	50	50
Additions	–	83	129	212
Disposals	–	–	(701)	(701)
Depreciation charge	(85)	(102)	(231)	(418)
Depreciation on disposals	–	–	701	701
Closing net book amount	<u>14,208</u>	<u>269</u>	<u>310</u>	<u>14,787</u>
<b>At 1 January 2007</b>				
Cost	16,682	1,189	3,200	21,071
Accumulated depreciation	(2,474)	(920)	(2,890)	(6,284)
Net book amount	<u>14,208</u>	<u>269</u>	<u>310</u>	<u>14,787</u>
<b>Year ended 31 December 2007</b>				
Opening net book amount	14,208	269	310	14,787
Exchange differences on cost	–	(1)	(13)	(14)
Exchange differences on depreciation	–	1	9	10
Additions	–	48	152	200
Disposals	–	–	(32)	(32)
Depreciation charge	(85)	(104)	(216)	(405)
Depreciation on disposals	–	–	28	28
Closing net book amount	<u>14,123</u>	<u>213</u>	<u>238</u>	<u>14,574</u>
<b>At 31 December 2007</b>				
Cost	16,682	1,236	3,307	21,225
Accumulated depreciation	(2,559)	(1,023)	(3,069)	(6,651)
Net book amount	<u>14,123</u>	<u>213</u>	<u>238</u>	<u>14,574</u>

The property is held at cost less depreciation. Included within land and buildings for the Existing Sagentia Group is freehold land, to the value of £1,360,000 (2006 and 2005: £1,360,000) which has not been depreciated. Cumulative interest capitalised at 31 December 2007 was £340,000 (2006 and 2005: £340,000) of which £Nil was capitalised during 2007 (2006 and 2005: £Nil). The property was last valued during February 2006 by independent valuers. The directors therefore do not believe that the property is materially misstated.

The property generated rental income of £1,713,000 in 2007 (2006: £1,375,000, 2005: £1,163,000) of which £868,000 (2006: £746,000, 2005: £695,000) was charged to related group companies. The interest in freehold land and buildings has been charged as security to the bank loan (see Note 22).

The residual value of the property at Harston Mill was revised in 2006 to £10.8 million. This resulted in a reduction of depreciation for the year from £610,000 in 2005 to £85,000 in 2006. Depreciation for 2006 would have remained at £610,000 if there had not been a change in accounting estimate.

## 15 Investments

	<i>Designated at fair value through profit or loss</i>		
	<i>Equity</i>	<i>Loans and</i>	
	<i>investments</i>	<i>receivables</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Fair value, January 2005</b>	7,376	410	7,786
Additions	1,244	2,001	3,245
Disposals	(1,664)	(144)	(1,808)
Change in fair value	1,917	–	1,917
Impairment of financial assets	–	(100)	(100)
Foreign exchange	–	4	4
Transfer between investment types	89	(89)	–
<b>Fair value, December 2005</b>	<u>8,962</u>	<u>2,082</u>	<u>11,044</u>
<b>Fair value, January 2006</b>	8,962	2,082	11,044
Additions	1,293	–	1,293
Disposals	(150)	(14)	(164)
Change in fair value	(658)	(218)	(876)
Foreign exchange	(4)	(14)	(18)
<b>Fair value, December 2006</b>	<u>9,443</u>	<u>1,836</u>	<u>11,279</u>
<b>Fair value, January 2007</b>	9,443	1,836	11,279
Additions	315	–	315
Disposals	(130)	(193)	(323)
Change in fair value	(3,736)	35	(3,701)
Impairment of financial assets	–	–	–
Foreign exchange	–	–	–
<b>Fair value, December 2007</b>	<u>5,892</u>	<u>1,678</u>	<u>7,570</u>

All disposals during 2007 were for a cash consideration.

Vibration Technologies Limited was disposed of during 2006. The consideration consisted of a cash payment of £540,000. This generated a profit on disposal of £392,000.

Imerge Limited was disposed of during 2005. The consideration consisted of a cash payment of £1,050,000 and deferred consideration of £198,000, which has been recognised in other loans. This generated a loss on disposal in 2005 of £104,000. Transfers between investment type reflect the conversion of loans to investments during the period, or the change in ownership of investments requiring a change in accounting treatment.

## 15 Investments (continued)

Financial assets held at fair value include the following:

	2007 £000	2006 £000	2005 £000
<b>Quoted securities</b>			
Cost – equity securities – UK	1,425	409	250
– equity securities – US	–	–	125
	<u>1,425</u>	<u>409</u>	<u>375</u>
Fair value adjustment	701	3,632	4,410
	<u>2,126</u>	<u>4,041</u>	<u>4,785</u>
<b>Unquoted securities</b>			
Cost	10,202	9,892	9,161
Fair value adjustment	(6,436)	(4,490)	(4,984)
	<u>3,766</u>	<u>5,402</u>	<u>4,177</u>
<b>Financial assets held at fair value</b>	<u>5,892</u>	<u>9,443</u>	<u>8,962</u>

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 the Existing Sagentia Group, being the “price of recent investment” reflecting the early stage nature of the investments.

### *Disposal/deemed disposal of subsidiary undertakings in 2007*

	<i>Intrasonics Ltd £000</i>	<i>Total £000</i>
Current assets	78	78
Borrowings	–	–
Current liabilities	(43)	(43)
<b>Total equity</b>	<u>35</u>	<u>35</u>
Minority interests	77	77
Realised profit on sale	1,376	1,376
<b>Sale proceeds</b>	<u>1,488</u>	<u>1,488</u>

Intrasonics Ltd was sold to Mainframe Participaties BV in December 2007 for an initial cash consideration of £1.5 million, before costs of disposal of £0.1 million, together with anticipated future royalties of up to £4.5 million, which may become payable, but have not been recognised to date, due to their uncertainty in nature. Intrasonics Ltd incurred a loss after taxation and minority interests of £272,000 before the disposal.

During 2007, Intrasonics Limited utilised £316,000 of the group’s net operating cash flows, paid £21,000 in respect of net returns on financial assets and servicing of finance, and utilised £500,000 for capital expenditure and financial investment. There was no disposal of operating subsidiaries during 2006.

There were no disposals of subsidiaries in 2006 and 2005.

### *Principal Existing Sagentia Group investments*

The Existing Sagentia Group held investments in the following subsidiaries, associated undertakings and investments at 31 December 2007. To avoid a statement of excessive length, details of investments that are not significant have been omitted.



## 15 Investments (continued)

*Subsidiary, associate undertakings  
and investments of  
Sagentia Group AG*

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Shares held</i>	<i>%</i>
<b>Venture Subsidiaries</b>				
Atranova™ Limited	England	Battery technology	Ordinary	91
Sensopad Limited	England	Sensor technology	Ordinary	77
<b>Investments</b>				
Sphere Medical Holding Limited	England	Medical sensor technology	Ords & A's	11
CMR Fuel Cells plc*	England	Fuel cell technology	Ordinary	11
Atraverda™ Limited	England	Battery technology	Ords & A's	18
Sensortec Limited	Jersey	Environmental sensing technology	Ordinary	12
Turftrax Holding plc*	England	Location tracking technology	Ords & Prefs	10
<b>Core Operations</b>				
Sagentia Group Limited	England	Holding company	Ordinary	100
Sagentia Limited	England	Consultancy	Ordinary	100
Sagentia Catella AB	Sweden	Battery technology	Ordinary	100
Manage5nines Limited	England	IT Consultancy	Ordinary	80
Sagentia Inc.	USA	Consultancy	Ordinary	100
S-GAI Tech Limited	Hong Kong	Consultancy	Ordinary	63
Sagentia GmbH	Germany	Consultancy	Ordinary	100
Chord Capital Limited	England	Fund management services	Ordinary	100
Cascade Generics Limited	England	Fund management services	Ordinary	100

\* Quoted on the UK Alternative Investment Market (AIM).

Intrasonics™ Ltd and Nanoscience Inc were disposed of for cash during the year. Turftrax Holding plc was quoted on Aim on 30 January 2008.

All subsidiaries have year-ends of 31 December other than S-Gai Tech Ltd which is 31 March, but for which accounts are provided to 31 December.

## 16 Trade and other receivables

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Current assets:</b>			
Trade receivables	6,280	3,865	5,691
Provision for impairment	(97)	(8)	(188)
<b>Trade receivables – net</b>	<u>6,183</u>	<u>3,857</u>	<u>5,503</u>
Amounts recoverable on contracts	1,350	729	1,116
VAT	23	57	11
Prepayments and accrued income	177	569	641
	<u>7,733</u>	<u>5,212</u>	<u>7,271</u>
<b>Current tax asset</b>	<u>59</u>	<u>30</u>	<u>–</u>
	<u>7,792</u>	<u>5,242</u>	<u>7,271</u>

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

All of Sagentia Switzerland trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an additional provision of £89,000 has been provided, bringing the total provision to £97,000 (2006: £8,000, 2005: £Nil).

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Not more than 3 months	6,025	3,598
More than 3 months but not more than 6 months	123	235
More than 6 months but not more than 1 year	22	3
More than 1 year	13	21
	<u>6,183</u>	<u>3,857</u>

## 17 Current asset investments

	<i>2007</i>	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Quoted investments	–	23	23
Aggregate market value of listed investments	<u>–</u>	<u>86</u>	<u>103</u>
The tax liability if listed investments were sold at market value	<u>–</u>	<u>–</u>	<u>–</u>

These are current asset investments held for disposal.

Sagentia Switzerland granted options over shares held in Synaptics Inc against the time that the options will be exercised to the employees of Absolute Sensors Ltd as part of the disposal of Absolute Sensors Limited to Synaptics Inc. Sagentia Switzerland retained shares in Synaptics Inc, a company quoted on NASDAQ. The value of the asset was the net price achievable by Sagentia Switzerland, being the lower of the market price of the share and exercise price of the option. These options have now all been exercised.

## 18 Cash and cash equivalents

	2007 £000	2006 £000	2005 £000
Short term bank deposits	–	8	88
Cash at bank and in hand	859	1,955	3,479
	<u>859</u>	<u>1,963</u>	<u>3,567</u>

Of the cash at bank and in hand detailed above, the following amounts are held, principally in spin-out companies and are not available for general use by the Existing Sagentia Group.

	2007 £000	2006 £000	2005 £000
Cash held within spin-out companies	<u>1</u>	<u>81</u>	<u>31</u>

Effective interest rates achieved are shown in Note 2.

## 19 Called-up share capital

	2007 £000	2006 £000	2005 £000
<i>Authorised</i>			
Ordinary shares of CHF 0.10 each	<u>10,552</u>	<u>10,552</u>	<u>10,552</u>
<i>Allotted, called-up and fully paid</i>			
Ordinary shares of CHF 0.10 each	<u>9,307</u>	<u>9,307</u>	<u>9,289</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
<i>Authorised</i>			
Ordinary shares of CHF 0.10 each	<u>248,048,800</u>	<u>248,048,800</u>	<u>248,048,800</u>
<i>Allotted, called-up and fully paid</i>			
Ordinary shares of CHF 0.10 each	<u>215,965,577</u>	<u>215,965,577</u>	<u>215,548,800</u>

Sagentia Switzerland is incorporated in Switzerland; therefore the ordinary shares are denominated in Swiss Francs with a nominal value of CHF 0.10. Authorised share capital comprises allotted shares of 215,965,577 (2006: 215,965,577, 2005: 215,548,800), and conditional capital of 32,083,223 (2006: 32,083,223, 2005: 32,500,000) being 16,284,000 approved on 21 June 2005, 11,916,000 approved on the 15 September 2000 and 4,300,000 approved on 30 April 2004 for the future issue of options under a company scheme. 416,777 of these approved shares were sold on 16 May 2006.

Sagentia Switzerland holds an interest in its own shares. At 31 December 2007, the Existing Sagentia Group held 610,800 (2006: 610,800, 2005: 910,800) of its own shares in Sagentia Switzerland, and a further 42,100 (2006 and 2005: 42,100) shares in The Generics Group Employee Share Trust. Of the 610,800 treasury shares, 471,000 are to be utilised against share options already granted. The value of Sagentia Switzerland Shares, as quoted on the London Stock Exchange plc at 31 December 2007, was 4.0 pence per share (2006: 8.75p, 2005: 10.125p).

## Reconciliation of options in grant

	2007		2006		2005	
	No.	Weighted Average exercise price	No.	Weighted Average exercise price	No.	Weighted Average exercise price
At beginning of year	15,966,368	13.4p	17,694,881	13.5p	5,931,851	48.0p
Granted during year	11,193,834	4.4p	708,518	9.8p	16,037,448	11.0p
Exercised during year	–	–	(716,777)	9.7p	–	–
Lapsed or cancelled during year	(2,838,507)	14.3p	(1,720,254)	14.6p	(4,274,418)	52.0p
At end of year	24,321,695	9.3p	15,966,368	13.4p	17,694,881	13.5p

No options were exercised in 2007. (2006: The weighted average share price during the period for options exercised over the year was 9.7p; 2005 none). 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 5.5 per cent. Volatility is taken from data provided by Bloomberg L.P. 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 £83,000 (2006: £235,000 2005: £107,000), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £83,000 (2006: £235,000, £2005: £107,000). The fair value per option granted and the assumptions used in the calculation are as follows:

At 31 December 2007, options granted to subscribe for ordinary shares of the company are as follow:

Date of grant	Option exercise period		Number of shares under option			Exercise price pence <sup>(3)*</sup>	Fair Value of options <sup>(4)</sup>	Expected Life (years)	Volatility
	From <sup>(1)</sup>	To <sup>(2)</sup>	Approved scheme	Unapproved scheme					
Oct 2000	Feb 2002	Dec 2007	–	300,000	18.0				
Oct 2000	Jun 2002–Dec 2004	Oct 2010	–	386,354	40.0				
Sep 2001	Sep 2005	Sep 2011	5,000	–	68.0				
Sep 2001	Sep 2004–Sep 2005	Sep 2011	16,500	–	94.0				
Dec 2001	Jun 2003–Dec 2005	Dec 2011	37,500	195,000	84.0				
Dec 2001	Dec 2005–Dec 2006	Dec 2011	47,092	–	94.0				
Mar 2002	Mar 2005–Mar 2006	Mar 2012	37,500	37,500	68.5				
Mar 2002	Mar 2005–Mar 2006	Mar 2012	16,500	–	71.0				
Sep 2002	Sep 2005–Sep 2006	Sep 2012	8,000	–	8.0				
Dec 2002	Dec 2005–Dec 2006	Dec 2012	16,500	–	8.8	5.6p	10	45%	
Sep 2004	Mar 2006	Mar 2013	205,000	–	7.0	4.4p	10	45%	
Jun 2005	Jun 2007	Jun 2015	11,755,946	258,402	10.9	2.8p	10	40%	
Sep 2005	Sep 2007	Sep 2015	674,724	775,207	11.8	7.0p	2	40%	
Dec 2005	Dec 2007	Dec 2015	50,013	435,112	11.8	6.5p	2	35%	
Jun 2006	Jun 2008–Jun 2009	Jun 2016	358,427	350,091	9.8	5.8p	2	40%	
Dec 2007	Dec 2007–Dec 2009	Dec 2017	–	11,193,834	4.5p	2.9p	10	58%	

- (1) Subject to earlier exercise in certain limited circumstances. Where range of dates provided, shares under option have been granted with exercise periods which commence on different dates.
- (2) Where range of dates provided, shares under options have been granted with exercise periods which expire on different dates.
- (3) The exercise price is also the share price at grant date.
- (4) The fair value of options has not been calculated for options granted but not expired before November 2002 in accordance with IFRS2.

## 20 Other non current liabilities

	<i>Note</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Loans from minorities to subsidiaries	22	430	417	428
Bank loans	22	6,813	6,531	6,023
		<hr/>	<hr/>	<hr/>
		7,243	6,948	6,451
Other creditors		69	41	–
Fair value of interest rate swap		200	181	423
Deferred income tax liabilities		2,657	3,014	2,951
		<hr/>	<hr/>	<hr/>
		10,169	10,184	9,825

### *Loans from minorities to subsidiaries and bank loans:*

See explanation per Note 22.

### *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 per cent. The swap matched the repayment schedule envisaged over 10 years from £8.0 million to £2.5 million. The loan balance was expected to be £5.0 million at the end of 2007 (2006: £5.6 million, 2005 – £6.2 million).

## 21 Current liabilities

	<i>Note</i>	<i>2007</i> <i>£000</i>	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
<b>Trade and other payables – current</b>				
Payments received on account		1,345	1,431	1,741
Trade payable		821	791	816
Other taxation and social security		613	659	641
VAT		448	181	279
Accruals		1,664	2,188	2,877
		<hr/>	<hr/>	<hr/>
		4,891	5,250	6,354
Bank loans and overdrafts	22	823	41	613
Current tax liabilities		36	43	26
		<hr/>	<hr/>	<hr/>
		5,750	5,334	6,993

## 22 Borrowings

	Note	2007			2006			2005		
		UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
<b>Non-current</b>										
Bank borrowings	20	6,813	–	6,813	6,531	–	6,531	6,023	–	6,023
Loans from minorities to subsidiaries	20	430	–	430	417	–	417	428	–	428
		<u>7,243</u>	<u>–</u>	<u>7,243</u>	<u>6,948</u>	<u>–</u>	<u>6,451</u>	<u>6,948</u>	<u>–</u>	<u>6,451</u>
<b>Current</b>										
Bank borrowings	21	765	58	823	–	41	41	570	43	613
<b>Total borrowings</b>		<u>8,008</u>	<u>58</u>	<u>8,066</u>	<u>6,948</u>	<u>41</u>	<u>6,989</u>	<u>7,021</u>	<u>43</u>	<u>7,064</u>

As at 31 December 2007, Existing Sagentia Group companies have granted charges over their assets to secure a five year bank loan from March 2006 for £9.0 million (2006: £9.0 million, 2005: £8.0 million) for Sagentia Group Ltd, and an annual revolving facility of £2.0 million (2006 £2.0 million) for Sagentia Ltd, renewable each year. Of the current bank loans and overdrafts, at 31 December 2007, £6,813,000 (2006: £6,531,000) has been drawn down and is repayable by Sagentia Group Ltd to Lloyds TSB Bank Plc, and £58,000 (2006: £41,000) is repayable on call by Sagentia Catella AS.

In 2005, £570,000 of the current bank loan was repayable by the Generics Group Ltd to National Westminster Bank, and £43,000 was repayable on call by Catella Generics Ltd. During 2005 Generics deferred the capital repayments and increased the final bullet payment.

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 (2005: National Westminster Bank) as follows:

	2007 £000	2006 £000	2005 £000
Between 1 and 2 years	–	–	1,130
Between 2 and 5 years	6,813	6,531	1,700
Over 5 years	–	–	3,193
	<u>6,813</u>	<u>6,531</u>	<u>6,023</u>

An interest rate swap has effectively fixed the majority of the loan at an interest rate at 6.13 per cent. plus bank charges of 1 per cent., which is payable quarterly.

## 23 Commitments

### Lease commitments

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

	2007 £000	2006 £000	2005 £000
<b>Plant and equipment lease commitments</b>			
Operating leases which expire:			
Within one year	14	9	2
Between one and five years	17	11	17
	<u>31</u>	<u>20</u>	<u>19</u>
<b>Property lease rentals</b>			
Operating leases which expire:			
Within one year	136	129	107
Between one and five years	111	103	138
	<u>247</u>	<u>232</u>	<u>245</u>

## 24 Capital and other financial commitments

At 31 December 2007 the Existing Sagentia Group and Sagentia Switzerland had commitments of £Nil (2006: £Nil, 2005: £Nil). The Existing Sagentia Group had a committed un-drawn overdraft facility of £2.2 million at 31 December 2007 (2006: £2.5 million; 2005 £Nil).

At 31 December 2007, the Existing Sagentia Group had a 5 year loan facility of £9.0 million secured on Harston Mill, Cambridge, UK, of which £6.8 million (2006: £6.5 million, 2005 £8.0 million) had been drawn down. This facility is repayable in accordance with an agreed repayment schedule with the bank as detailed in Note 22 and renewable on an annual basis.

## 25 Related party transactions

The Existing Sagentia Group provided support, IT and consultancy services to associated undertakings and made loans as follows:

	2007	2007	2006	2006	2005	2005
		<i>Sale of</i>		<i>Sale of</i>		<i>Sale of</i>
	<i>Loans</i>	<i>goods and</i>	<i>Loans</i>	<i>goods and</i>	<i>Loans</i>	<i>goods and</i>
	<i>£000</i>	<i>Services</i>	<i>£000</i>	<i>Services</i>	<i>£000</i>	<i>Services</i>
		<i>£000</i>		<i>£000</i>		<i>£000</i>
3D Molecular Science Ltd	–	–	–	–	241	–
Flying Null Ltd	833	–	833	–	839	35
Sensopad Ltd	979	129	910	54	571	62
FD Technologies	160	–	160	–	158	–
Atranova Ltd	494	47	141	36	–	1
	<u>2,466</u>	<u>176</u>	<u>2,044</u>	<u>90</u>	<u>1,809</u>	<u>97</u>

Disclosure above is for subsidiary undertakings in the group when Sagentia Switzerland own less than 90 per cent. and provide funding and/or other services.

Key personnel are the executive directors and non executive directors of the Existing Sagentia Group. Remuneration to key personnel is disclosed in Note 8.

Related party transactions also comprise legal fees paid to Wiederkehr Forster as disclosed in Note 8.

## **26 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.

### **26.1 Critical accounting estimates and assumptions**

The Existing Sagentia Group 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*

The Existing Sagentia Group tests regularly whether investments and 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 on individual investment basis.

(b) *Project accounting*

The Existing Sagentia Group undertakes a number of fixed price consultancy projects. The state of completeness of each project, and hence, revenue recognised, requires the use of estimates.

(c) *Other loans recognition*

The Existing Sagentia Group has recognised other loans amounting to £1,677,000 (2006 and 2005: £1,677,000) that will become due and payable as part of the consideration of the disposal of Sensopad Ltd to TT electronics plc. The repayment of the loan is dependent upon TT electronics plc achieving various target revenues which will generate a royalty payable to Sagentia Switzerland.

## **27 Post balance sheet events**

Following the year end, Turfrax Holdings plc was listed on AIM in January 2008 at an admission price of 40p per share. Sagentia Switzerland holds 3.2 million shares.



## **Section 2 – Auditors’ report on the financial statements for the year ended 31 December 2007**

*The following is the full text of the independent auditors’ report from Grant Thornton UK LLP regarding their audit of Sagentia Switzerland’s consolidated financial statements for the year ended 31 December 2007 and has been extracted without adjustment from the statutory accounts (as defined in section 240(5) of the 1985 Act) of Sagentia Switzerland for the year ended 31 December 2007 (and the references “the Consolidated Income Statement, Consolidated Statement of Changes in Shareholders’ Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the Notes 1 to 27 to the Financial Statements” are to the Consolidated Income Statement, Consolidated Statement of Changes in Shareholders’ Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the Notes to the Financial Statements in those statutory accounts). In this Section 2, references to the “Group” mean the Existing Sagentia Group.*

### ***Independent Auditor’s Report to the Members of Sagentia Switzerland***

We have audited the Consolidated Financial Statements of Sagentia Group AG for the year ended 31 December 2007 which comprise the principal accounting policies, the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Shareholders’ Equity and Notes 1 to 27. These consolidated financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Annual General Meeting in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the Annual General Meeting those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Annual General Meeting, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

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

Our responsibility is to audit the Group financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Directors’ Report, the Chairman’s Statement, the Chief Executive’s report and the Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

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

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

***Opinion***

In our opinion the consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended.

**GRANT THORNTON UK LLP**  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
Cambridge

Date: 3 March 2008

### **Section 3 – Auditors’ report on the financial statements for the year ended 31 December 2006**

*The following is the full text of the independent auditors’ report from RSM Robson Rhodes LLP regarding their audit of Sagentia Switzerland’s consolidated financial statements for the year ended 31 December 2006 and has been extracted without adjustment from the statutory accounts (as defined in section 240(5) of the 1985 Act) of Sagentia Switzerland for the year ended 31 December 2006 (and the references “the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the Notes 1 to 26 to the Financial Statements” are to the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the Notes to the Financial Statements in those statutory accounts). In this Section 3, references to the “Group” mean the Existing Sagentia Group. RSM Robson Rhodes LLP merged with Grant Thornton UK LLP on 1 July 2007.*

#### **Independent Auditor’s Report to the Members of Sagentia Switzerland**

As auditor of the Group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of cash flows, statement of changes in equity and Notes 1 to 26 to the consolidated financial statements) of Sagentia Group AG’s Annual Report and Financial Statements for the year ended 31 December 2006.

This report is made solely to the company in accordance with our terms of engagement. Our audit work has been undertaken so that we might state to the company those matters we are engaged to state to them in this audit 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 for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Directors and auditor**

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on the consolidated financial statements in accordance with relevant legal and regulatory requirements, International Auditing Standards and the Listing Rules of the Financial Services Authority. We confirm that we meet the legal requirements concerning professional qualifications and independence.

#### **Basis of audit opinion**

Our audit was conducted in accordance with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2006, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and complying with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

**RSM Robson Rhodes LLP**  
**Cambridge**

28 February 2007

#### **Section 4 – Auditors’ report on the financial statements for the year ended 31 December 2005**

*The following is the full text of the independent auditors’ report from RSM Robson Rhodes LLP regarding their audit of Sagentia Switzerland’s consolidated financial statements for the year ended 31 December 2005 and has been extracted without adjustment from the statutory accounts (as defined in section 240(5) of the 1985 Act) of Sagentia Switzerland for the year ended 31 December 2005 (and the references “Consolidated Income Account, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and Notes 1 to 28 to the Financial Statements” are to the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the Notes to the Financial Statements in those statutory accounts). In this Section 4, references to the “Group” mean the Existing Sagentia Group.*

#### **Independent Auditor’s Report to the Members of Sagentia Switzerland (previously The Generics Group AG)**

As auditors of the Group, we have audited the financial statements (consolidated income account, consolidated statement of changes in equity, consolidated and company balance sheets, consolidated cash flow statement and Notes 1 to 28 to the financial statements) of The Generics Group AG’s Annual Report and Financial Statements for the year ended 31 December 2005.

#### **Respective responsibilities of Directors and auditors**

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, International Auditing Standards and the Listing Rules of the Financial Services Authority. We confirm that we meet the legal requirements concerning professional qualifications and independence.

We review whether the corporate governance report reflects the nine provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board’s statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

#### **Basis of audit opinion**

Our audit was conducted in accordance with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

RSM Robson Rhodes LLP  
Cambridge  
6 March 2006

## **PART III B**

### **Financial Information on Sagentia**

Sagentia is newly incorporated public limited company set up for the express purpose of implementing the Proposals described in this document.

At the date of this document, Sagentia had assets of £50,000 cash at bank (representing the current paid up share capital) and no liabilities. Since its incorporation, Sagentia has not carried on any business nor has entered into any obligation other than in connection with the Offer and the financing thereof. Sagentia has not paid any dividends and no accounts for Sagentia have been prepared.

## PART IV

### Conditions and further terms of the Offer

#### Section A: Conditions of the Offer

The Offer is subject to the following conditions:

- (a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 3.00 p.m. on 2 July 2008 (or such later time(s) and/or date(s) as Sagentia may decide) in respect of Sagentia Switzerland Shares such that Sagentia shall have acquired or agreed to acquire (whether pursuant to the Offer or otherwise) Sagentia Switzerland Shares carrying in aggregate more than 75 per cent. of the voting rights normally exercisable at a general meeting of Sagentia Switzerland, provided that unless Sagentia otherwise determines, this condition (a) shall be capable of being satisfied only at a time when all the other conditions (c) to (d) inclusive have either been satisfied, fulfilled or, to the extent permitted, waived. For the purposes of this condition (a) Sagentia Switzerland Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon issue;
- (b) the London Stock Exchange announcing its decision to admit to trading on AIM those of the New Sagentia Shares to be issued pursuant to the Offer in respect of valid acceptances of the Offer which have been received when the Offer is declared unconditional in all respects (save for satisfaction of this condition (b)) and the existing Sagentia Shares, and such admission becoming effective in accordance with the AIM Rules for Companies;
- (c) no government or governmental, quasi-governmental, supranational, statutory or regulatory body, or any court, institution, investigative body, association, trade agency or professional or environmental body or (without prejudice to the generality of the foregoing) any other person or body in any jurisdiction (each, a "Relevant Authority") having decided to take, instituted, implemented or threatened any action, proceedings, suit, investigation or enquiry or enacted, made or proposed any statute, regulation or order or otherwise taken any other step or done any thing, and there not being outstanding any statute, legislation or order, that would or might:
  - (i) restrict, restrain, prohibit, delay, impose additional conditions or obligations with respect to, or otherwise interfere with the implementation of, the Offer or the acquisition of any Sagentia Switzerland Shares by Sagentia or any matters arising there from;
  - (ii) result in a delay in the ability of Sagentia, or render Sagentia unable, to acquire some or all of the Sagentia Switzerland Shares;
  - (iii) require, prevent, delay or affect the divestiture by any member of the Existing Sagentia Group or the New Sagentia Group of all or any portion of their businesses, assets or property or of any Sagentia Switzerland Shares or other securities in Sagentia Switzerland or impose any limitation on the ability of any of them to conduct their respective businesses or own their respective assets or properties or any part thereof;
  - (iv) impose any limitation on the ability of any member of Sagentia to acquire or hold or exercise effectively, directly or indirectly, all rights of all or any of the Sagentia Switzerland Shares (whether acquired pursuant to the Offer or otherwise);
  - (v) require Sagentia or any member of the Existing Sagentia Group to offer to acquire any shares or other securities or rights thereover in any member of the Existing Sagentia Group owned by any third party (save as required by law or pursuant to the Offer);
  - (vi) make the Offer or its implementation or the proposed acquisition of Sagentia Switzerland or any member of the Existing Sagentia Group or of any Sagentia Switzerland Shares or any other

- shares or securities in, or control of, Sagentia Switzerland, illegal, void or unenforceable in or under the laws of any jurisdiction;
- (vii) impose any limitation on the ability of any member of the New Sagentia Group or the Existing Sagentia Group to co-ordinate its business, or any part of it, with the business of Sagentia or any member of the Existing Sagentia Group;
  - (viii) result in Sagentia or any member of the Existing Sagentia Group ceasing to be able to carry on business in a manner in which it presently does so; or
  - (ix) otherwise adversely affect any or all of the businesses, assets, prospects or profits of Sagentia or any member of the Existing Sagentia Group or the exercise of rights of shares of any company in the Existing Sagentia Group, and all applicable waiting periods during which such Relevant Authority could institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene having expired, lapsed or been terminated; and
- (d) all authorisations, orders, grants, consents, clearances, licences, permissions and approvals, in any jurisdiction, deemed necessary or appropriate by Sagentia for or in respect of the Offer, the proposed acquisition of any shares or securities in, or control of, Sagentia Switzerland or any member of the Existing Sagentia Group by Sagentia or the carrying on of the business of any member of the Existing Sagentia Group or Sagentia or any matters arising therefrom being obtained in terms satisfactory to Sagentia from all appropriate Relevant Authorities or (without prejudice to the generality of the foregoing) from any persons or bodies with whom any member of the Existing Sagentia Group or Sagentia has entered into contractual arrangements and such authorisations, orders, grants, consents, clearances, licences, permissions and approvals remaining in full force and effect and there being no intimation of any intention to revoke or not to renew the same and all necessary filings having been made, all appropriate waiting and other time periods (including extensions thereto) under any applicable legislation and regulations in any jurisdiction having expired, lapsed or been terminated and all necessary statutory or regulatory obligations in any jurisdiction in respect of the Offer or the proposed acquisition of Sagentia Switzerland by Sagentia or of any Sagentia Switzerland Shares or any matters arising there from having been complied with.

Sagentia reserves the right to waive, in whole or in part, all or any of the above conditions (a) to (d) (inclusive).

The Offer will lapse unless all the above conditions have been fulfilled or, where permitted, waived or, where appropriate, have been determined by Sagentia to be or remain satisfied, by midnight on the 21st day after the later of 10 August 2008 and the date on which condition (a) is fulfilled (or in each case such later date as Sagentia may determine). Sagentia shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of conditions (a) to (d) (inclusive) by a date earlier than the latest date for the fulfillment of that condition notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfillment.

If the Offer lapses, the Offer will cease to be capable of further acceptance and accepting Sagentia Switzerland Shareholders and Sagentia shall cease to be bound by Forms of Acceptance and Assignment submitted at or before the time when the Offer so lapses.

## **Section B: Further terms of the Offer**

The conditions in Section A of Part IV of this document and the following further terms apply, unless the contrary is expressed or the context requires otherwise, to the Offer.

Except where the context requires otherwise, any reference in Sections B and C of Part IV to:

- (i) the “**Offer**” means the Offer and shall include any revision, variation, renewal or extension of the Offer;
- (ii) the “**Offer becoming unconditional**” shall include references to the Offer being or becoming or being declared unconditional;
- (iii) the Offer being or becoming or being declared “**unconditional**” shall mean the Offer being or becoming or being declared unconditional as to acceptances whether or not any other condition of the Offer remains to be satisfied;
- (iv) the “**acceptance condition**” means the condition as to acceptances set out in condition (1) of Section A and reference to the Offer being or becoming or being declared unconditional as to acceptances will be construed accordingly;
- (v) the “**Offer Document**” shall mean this document and any other document containing, or containing details of, the Offer; and
- (vi) “**acceptances of the Offer**” shall include deemed acceptances of the Offer.

### **1. Acceptance period**

- (a) The Offer will initially be open for acceptance until 3.00 p.m. (London time) on 2 July 2008. Although no revision is envisaged, if the Offer (in its original or previously revised form) is revised it will remain open for acceptance for a period of at least 14 days following the date on which written notification of the revision is posted to Sagentia Switzerland Shareholders.
- (b) The Offer, whether revised or not, shall not be capable of becoming unconditional after midnight (London time) on 10 August 2008 (or any earlier time and/or date beyond which Sagentia has stated that the Offer will not be extended and in respect of which it has not withdrawn that statement) nor of being kept open for acceptance after that time and/or date unless it has previously become unconditional. However, Sagentia reserves the right to extend the Offer to later time(s) and/or date(s). Sagentia may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received, or purchases of Sagentia Switzerland Shares made, in respect of which relevant documents have been received by Mr Martin Forster after 1.00 p.m. (London time) on 10 August 2008 (or any earlier time and/or date beyond which Sagentia has stated that the Offer will not be extended and in respect of which it has not withdrawn that statement) or such later time and/or date as Sagentia may decide.
- (c) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated by or on behalf of Sagentia that the Offer will remain open until further notice, then not less than 14 days’ notice will be given to Sagentia Switzerland Shareholders prior to the closing of the Offer.
- (d) If a competitive situation arises after Sagentia has made a “no extension” statement and/or a “no increase” statement in relation to the Offer, Sagentia may (if it has specifically reserved the right to do so at the time such statement was made) choose not to be bound by or withdraw such statement and be free to revise and/or extend the Offer provided that it announces the withdrawal and that it is free to extend or revise the Offer (as appropriate) as soon as possible and in any event within four business days after the firm announcement of the competing offer and notifies Sagentia Switzerland Shareholders to that effect in writing at the earliest opportunity or, in the case of Sagentia Switzerland Shareholders with registered addresses outside the United Kingdom or whom Sagentia reasonably



believe to be nominees, custodians or trustees holding Sagentia Switzerland Shares for such persons, by announcement in the United Kingdom at the earliest opportunity;

- (e) For the purpose of determining at any particular time whether the acceptance condition has been satisfied, Sagentia shall not be bound to take into account any Sagentia Switzerland Shares which have been unconditionally allotted or issued or which arise as a result of the exercise of conversion rights before such determination takes place, unless Mr Martin Forster on behalf of Sagentia has received written notice of the relevant details of such allotment or issue or conversion (including the price thereof) before that time. Notification by e-mail, telex, facsimile or other electronic transmission will not be sufficient for this purpose and shall not constitute written notice.

## **2. Announcements**

- (a) By 8.00 a.m. (London time) on the Business Day (the “relevant day”) following the day on which the Offer is due to expire or becomes unconditional or is revised or extended, as the case may be, Sagentia will make an appropriate announcement and simultaneously inform a Regulatory Information Service of the position. Such announcement will also state the number of Sagentia Switzerland Shares for which acceptances of the Offer have been received (showing the extent, if any, to which such acceptances have been received from persons acting in concert with Sagentia or in respect of Sagentia Switzerland Shares which were subject to an irrevocable commitment or a letter of intent procured by Sagentia or any of its associates);

Any such announcement shall include a prominent statement of the total numbers of Sagentia Switzerland Shares which may count towards satisfaction of the acceptance condition and the percentage of Sagentia Switzerland Shares represented by this figure.

- (b) Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made by Sagentia at any time up to, and will be announced not later than, 8.00 a.m. (London time) on the relevant day and the announcement will state the next time and expiry date (unless the Offer is unconditional, in which case the announcement may state that the Offer will remain open until further notice).
- (c) In computing the number of Sagentia Switzerland Shares represented by acceptances and/or purchases there may, at the discretion of Sagentia, be included or excluded for announcement purposes, acceptances and purchases which are not complete in all respects or are subject to verification provided that such acceptances or purchases of Sagentia Switzerland Shares shall not be included unless they could be counted towards fulfilling the acceptance condition under the terms of the Offer.
- (d) References in this Section B to the making of an announcement or the giving of notice, by or on behalf of Sagentia, include the release of an announcement by public relations consultants of Sagentia or by Arbutnot to the press, and the delivery by hand or telephone, e-mail, telex, facsimile or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service shall be notified simultaneously to a Regulatory Information Service.

## **3. Revised offer**

- (a) Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or nature of the consideration offered or otherwise), and such revision represents on the date on which such revision is announced (on such basis as Arbutnot may consider appropriate) an improvement or no diminution in the value of the consideration of the Offer as so revised compared with the value of the consideration or terms previously offered, the benefit of the revised Offer shall (subject to this paragraph 3 and paragraph 5 below) be made available to Sagentia Switzerland Shareholders who have accepted the Offer in its original or any previously revised form(s) and who have not validly withdrawn such acceptance (hereinafter called “**Previous Acceptor(s)**”). The acceptance by or on behalf of a Previous Acceptor

of the Offer (in its original or any previously revised form(s)) shall, subject as provided in this paragraph 3 and paragraph 5 below, be deemed to be an acceptance of the Offer as so revised and shall also constitute the separate appointment of Sagentia and/or of Arbuthnot and/or of any of their respective directors as his attorney and/or agent with authority to accept any such revised Offer on behalf of such Previous Acceptor.

- (b) Although no such revision is envisaged, if any revised Offer provides for Sagentia Switzerland Shareholders who accept it to elect for (or accept) alternative forms of consideration, the acceptance by or on behalf of a Previous Acceptor of the Offer (in its original or any previously revised form(s)) shall, subject as provided below, also constitute the appointment of Sagentia and/or of Arbuthnot and/or of any of their respective partners or directors as his attorney and/or agent to make on his behalf elections for and/or to accept such alternative forms of consideration on his behalf as such attorney and/or agent in his absolute discretion thinks fit and to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) as may be required to give effect to such acceptances and/or elections. In making any such acceptance or election, such attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.
- (c) The deemed acceptances and elections referred to in paragraphs 3(a) and (b) above shall not apply and the authorities conferred by paragraphs 3(a) and (b) above shall not be exercised if as a result thereof a Previous Acceptor would (on such basis as Arbuthnot may consider appropriate) receive and/or retain less in aggregate consideration under the revised Offer than he would have received as a result of his acceptance of the Offer in the form in which it was originally accepted by him unless such Previous Acceptor has previously otherwise agreed in writing to relieve less aggregate consideration.
- (d) The deemed acceptances and elections referred to in paragraphs 3(a) and (b) above shall not apply and the powers of attorney and the authorities conferred by paragraphs 3(a) and (b) above shall be ineffective to the extent that a Previous Acceptor in respect of Sagentia Switzerland Shares in certificated or uncertificated form lodges with Mr. Martin Forster, care of Sagentia Switzerland, within 14 days of the posting of the document pursuant to which the revision of the Offer referred to in paragraphs 3(a) and (b) above is made available to Sagentia Switzerland Shareholders, a Form of Acceptance or some other form issued by or on behalf of Sagentia in which he validly elects to receive the consideration receivable by him under that revised Offer in some other manner than that set out in the original acceptance.

#### **4. Overseas shareholders**

- (a) The making of the Offer in, or to persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom or who are nominees of, or custodians, trustees or guardians for, citizens or nationals of such jurisdictions (“overseas shareholders”) may be prohibited or affected by the laws or regulatory requirements of the relevant overseas jurisdiction. Such overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any overseas shareholder wishing to accept the Offer to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.
- (b) Each overseas shareholder will be responsible for any issue, transfer or other taxes or other requisite payments due in any overseas jurisdiction in respect of the acceptance of the Offer by whomsoever they are payable and Sagentia, Arbuthnot and any person acting on their behalf shall be fully indemnified and held harmless by such shareholder for any such issue, transfer or other taxes or other requisite payments as Sagentia, Arbuthnot and any person acting on their behalf may be required to pay in respect of the Offer insofar as it relates to such shareholder.
- (c) The New Sagentia Shares which may be issued pursuant to the Offer have not been and will not be, registered under, or offered in compliance with, the Securities Act or under the securities laws of any

state or province of a Restricted Jurisdiction. The relevant clearances have not been and will not be obtained from the securities commission of any Restricted Jurisdiction and no prospectus has been or will be lodged with, or registered by a securities regulator of a Restricted Jurisdiction.

- (d) A Sagentia Switzerland Shareholder will be deemed not to have validly accepted the Offer if in respect of Sagentia Switzerland Shares, he or she puts “No” in Box 4 of the Form of Acceptance and Assignment and thereby does not make the representations and warranties set out in paragraph (c) of Section C of this Part IV.

Sagentia reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representations and warranties set out in paragraph (c) of Section C of this Part IV could have been truthfully given by the relevant Sagentia Switzerland Shareholders and, if such investigation is made and, as a result, Sagentia determines that such representations and warranties could not have been given so given, such acceptance shall not be valid.

- (e) The provisions of this paragraph 4 and/or any other terms of the Offer relating to overseas shareholders may be waived, varied or modified as regards specific Sagentia Switzerland Shareholders or on a general basis by Sagentia in its absolute discretion. In particular, without limitation, Sagentia reserves the right to arrange for the sale or allotment of new Sagentia Shares to which overseas shareholders may otherwise be entitled pursuant to the Offer and to remit the cash proceeds of such sale or allotment, net of expenses, to such overseas shareholders instead. Sagentia will have no obligations whatsoever in relation to the timing of such sales or allotments or the price obtained and such sales or allotments may be made individually or together with other shares to which such provisions apply. In such circumstances, any signed Form of Acceptance and Assignment received pursuant to the Offer shall constitute the irrevocable appointment of Sagentia or any of its directors or Arbuthnot or any of its duly authorised persons as the Sagentia Switzerland Shareholder’s agent to effect such sale as his agent, with full power (including powers of delegation) to do all such things as may be necessary for or ancillary to such purpose. Subject thereto, the provisions of this paragraph 4 supersede any terms of the Offer inconsistent therewith. References in this paragraph 4 to a Sagentia Switzerland Shareholder include references to the person or persons executing a Form of Acceptance and Assignment and, in the event of more than one person executing the Form of Acceptance and Assignment, the provisions of this paragraph 4 shall apply to them jointly and severally.
- (f) Neither Sagentia nor Arbuthnot nor any agent or adviser or director of Sagentia or of Arbuthnot nor any person acting on behalf of either or both of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of acceptances of the Offer, pursuant to the provisions of this paragraph 4 of Section B of this Part IV, or otherwise in connection therewith.

## **5. General**

- (a) The Offer will lapse unless all the conditions to the Offer have been fulfilled by or (if capable of waiver) waived by or (where appropriate) have been determined by Sagentia to be or remain satisfied as at midnight (London time) on 10 August 2008 or within 21 days after the date on which the Offer becomes unconditional (whichever is the later) or such later date as Sagentia may decide, provided that Sagentia shall be under no obligation to waive or treat as satisfied any condition by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any such conditions may not be capable of fulfilment.
- (b) The Offer will lapse if, before the later of 2 July 2008 and the date when the Offer becomes or is declared wholly unconditional as to acceptances:
  - (i) the Office of Fair Trading has referred the Offer to the Competition Commission; or
  - (ii) the European Commission pursuant to Council Regulation (EEC) 139/2004 has initiated proceedings under Article 6(1)(c) thereof or has made a referral to a competent authority of the United Kingdom under article 9(1) thereof.

If the Offer lapses, the Offer shall cease to be capable of further acceptance and accepting Sagentia Switzerland Shareholders and Sagentia will thereupon cease to be bound by prior acceptances submitted on or before the dates when the Offer so lapses.

- (c) No acknowledgement of receipt of any Form of Acceptance and Assignment, share certificates and/or other documents of title, communication, notice or other documents will be given. All communications, notices, certificates, documents of title, other documents and remittances to be delivered by or to or sent to or from Sagentia Switzerland Shareholders (or their designated agent(s)) or as otherwise directed will be delivered by or to or sent to or from such Sagentia Switzerland Shareholders (or their designated agent(s)) at their own risk.
- (d) All references in this document and in the Form of Acceptance and Assignment to 2 July 2008, shall (except where the context otherwise requires), if the expiry date of the Offer shall be extended, be deemed to refer to the expiry date of the Offer as so extended.
- (e) Settlement of the consideration to which any Sagentia Switzerland Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which Sagentia or Arbuthnot may otherwise be, or claim to be, entitled as against such Sagentia Switzerland Shareholders and will be effected:
  - (i) in the case of acceptances received, complete in all respects (including the relevant transfer to escrow or (as applicable) receipt of relevant share certificate(s) and/or other documents of title or indemnities satisfactory to Sagentia) by the date on which the Offer becomes or is declared wholly unconditional, within 14 calendar days of such date; or
  - (ii) in the case of acceptances of the Offer received, complete in all respects, after the date on which the Offer becomes or is declared wholly unconditional, but while it remains open for acceptance, within 20 calendar days of such receipt.
- (f) The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Form of Acceptance and Assignment constitute part of the terms of the Offer. Words and expressions defined in this document shall, unless the context otherwise requires, have the same meanings when used in the Form of Acceptance and Assignment.
- (g) The Offer, the Form of Acceptance and Assignment and all acceptances thereof and all elections thereunder or pursuant thereto and all contracts made pursuant thereto, and action taken or made or deemed to be taken or made under any of the foregoing, shall be governed by and construed in accordance with English law. No parties other than Sagentia or Sagentia Switzerland Shareholders shall have any right under The Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Offer. Execution by or on behalf of a Sagentia Switzerland Shareholder of a Form of Acceptance and Assignment or acceptance through Euroclear will constitute his submission, in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance and Assignment, to the jurisdiction of the Courts of England and his agreement that nothing shall limit the rights of Sagentia or Arbuthnot Securities to bring any action, suit or proceeding arising out of or in connection with the Offer and the Form of Acceptance and Assignment in any other manner permitted by law or in any court of competent jurisdiction.
- (h) Any omission or failure (or decision not) to despatch this document, the Form of Acceptance and Assignment or any document required to be given under the terms of the Offer and/or any notice required to be despatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such Sagentia Switzerland Shareholder.
- (i) Sagentia reserves the right to treat acceptances of the Offer and/or elections pursuant thereto as valid if not entirely in order or not accompanied by the relevant share certificates and/or other relevant documents of title, or if received by or on behalf of it at any place or places or in any manner determined by it otherwise than as stated in this document or in the Form of Acceptance and Assignment.

- (j) Forms of Acceptance and Assignment in respect of Sagentia Switzerland Shares which have been or are borrowed by Sagentia may not be counted towards fulfilling the acceptance condition.
- (k) All mandates and other instructions to Sagentia Switzerland given by Sagentia Switzerland Shareholders or in force relating to holdings of Sagentia Switzerland Shares will, unless and until amended or revoked, continue in force.
- (l) All powers of attorney, appointments of agents and authorities on the terms conferred by or referred to in this Part IV or in the Form of Acceptance and Assignment are given by way of security for the performance of the obligations of Sagentia Switzerland Shareholders concerned and are irrevocable (in respect of powers of attorney, in accordance with section 4 of the Powers of Attorney Act 1971), except in the circumstances where the donor of such power of attorney, appointment or authority is entitled to withdraw his acceptance in accordance with paragraph 3 above and duly does so.

Subject to paragraph 4 of Section B of this Part IV, the Offer extends to any Sagentia Switzerland Shareholders to whom this document, the Form of Acceptance and Assignment and any related documents may not have been despatched or by whom such documents may not be received, and such Sagentia Switzerland Shareholders may collect copies of those documents from Taylor Wessing at Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX.

- (m) Sagentia reserves the right to notify any matter, including the making of the Offer, to all or any Sagentia Switzerland Shareholders with a registered address outside the United Kingdom (or whom Sagentia or Arbuthnot Securities know to be nominees, trustees or custodians for such persons) by announcement in the United Kingdom or paid advertisement in a daily newspaper published and circulated in the United Kingdom, in which event such notice shall be deemed to have been sufficiently given notwithstanding any failure by a Sagentia Switzerland Shareholder to receive such notice and all references in this document to notice, or the provision of information in writing, by Sagentia, Arbuthnot and/or their respective agents and/or public relations consultants shall be construed accordingly.
- (n) Subject to paragraph 4 of Section B, the Offer is made on 11 June 2008 to all Sagentia Switzerland Shareholders and is capable of acceptance from and after that date. Copies of this document, the Forms of Acceptance and Assignment and any other related documents are available for collection from Taylor Wessing at Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX.
- (o) If the Offer does not become wholly unconditional in respect of Sagentia Switzerland Shares held in certificated or uncertificated form, Forms of Acceptance and Assignment and if applicable, share certificates and other documents of title will be returned by Sagentia by post within 14 days of the Offer lapsing to the person or agent whose name and address is set out in the relevant box on the Form of Acceptance and Assignment or, if none is set out, to the first-named holder at his registered address.

### **Section C: Form of Acceptance and Assignment**

Each Sagentia Switzerland Shareholder by whom, or on whose behalf, a Form of Acceptance and Assignment is executed irrevocably undertakes, represents, warrants and agrees to and with Sagentia and Arbuthnot and their respective agents (so as to bind him, his personal representatives and his heirs, successors and assigns) that:

- (a) the execution of a Form of Acceptance and Assignment shall constitute:
  - (i) whether or not any other Boxes are completed, an acceptance of the Offer in respect of the relevant Sagentia Switzerland Shareholder's entire holding of Sagentia Switzerland Shares (or such lesser number as may have been inserted in Box 1 of the Form of Acceptance and Assignment), provided that if no number is inserted in Box 1, or a number is inserted in Box 1 which exceeds such Sagentia Switzerland Shareholder's holding of Sagentia Switzerland Shares, the acceptance will be deemed to have been made in respect of that Sagentia Switzerland Shareholder's entire holding of Sagentia Switzerland Shares;

- (ii) the assignment, conditional only on the Offer being wholly unconditional in accordance with its terms, of the Sagentia Switzerland Shares referred to in paragraph (a)(i) above to Sagentia or as it shall direct; and
  - (iii) an authority to Sagentia or its agents to execute any further documents and give any further reassurances which may be required in connection with his acceptance of the Offer and an undertaking to execute all or any further documents and/or give any such further assurances as may be required to enable Sagentia to obtain full benefit of this Section C and/or to perfect any of the authorities expressed to be given under this Section C, in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and Assignment and that each such acceptance and election shall be irrevocable;
- (b) the Sagentia Switzerland Shares in respect of which the Offer is accepted or deemed to be accepted are sold with full title guarantee and free from all liens, charges, encumbrances, equities, rights of pre-emption and any other third party rights of whatsoever nature and together with all rights now or hereafter attaching thereto, including the right to receive all dividends or other distributions declared after the date of the Offer;
- (c) unless “NO” is put in Box 4 of the Form of Acceptance and Assignment, such Sagentia Switzerland Shareholder:
  - (i) (if such Sagentia Switzerland Shareholder is a citizen, resident, or national of a jurisdiction outside the United Kingdom) has observed the laws of the relevant jurisdiction, obtained all requisite governmental, exchange control and other required consents, complied with all other necessary formalities and paid any issue, transfer or other taxes or other requisite payments due in any such jurisdiction in connection with such acceptance and has not taken or omitted to take any action that will or may result in Sagentia, Arbuthnot or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance thereof; and
  - (ii) has not received or sent copies or originals of this document, the Form of Acceptance and Assignment or any related offering documents in, into or from any jurisdiction where such actions may constitute a breach of any legal or regulatory requirements, and has not utilised in connection with the Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of any jurisdiction where such actions may constitute a breach of any legal or regulatory requirements, is not accepting the Offer from within any jurisdiction where such actions may constitute a breach of any legal or regulatory requirements and is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside any jurisdiction where such actions may constitute a breach of any legal or regulatory requirements;
- (d) in relation to the Sagentia Switzerland Shares (whether held in certificated or uncertificated form), the execution of the Form of Acceptance and Assignment constitutes, subject to the Offer becoming wholly unconditional in accordance with its terms and to the accepting Sagentia Switzerland Shareholder not having validly withdrawn his acceptance, the irrevocable appointment of each of Sagentia and Arbuthnot and/or any of their respective directors or agents as such shareholder’s attorney and/or agent, and an irrevocable instruction to the attorney and/or agent:
  - (i) to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent in relation to the Sagentia Switzerland Shares referred to in paragraph (a)(i) in favour of Sagentia or such other person or persons as Sagentia may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney and/or agent, together with the share certificate(s) and/or other document(s) relating to such

Sagentia Switzerland Shares, for registration within six months of the Offer becoming unconditional in all respects;

- (ii) to execute all such documents and to do all such other acts and things as may in the opinion of such attorney and/or agent be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer to the Form of Acceptance and Assignment and to vest in and/or assign to Sagentia or its nominee(s) or as it may direct such Sagentia Switzerland Shares; and
  - (iii) if such shares are held in uncertificated form, an irrevocable undertaking by the holder to give all necessary instructions to the relevant depository bank to procure that the book entries in the SIS Segma Inter Settle-System are adjusted so that the Sagentia Switzerland Shares referred to in paragraph (a)(i) above are credited in favour of Sagentia.
- (e) in relation to the Sagentia Switzerland Shares (whether held in certificated or uncertificated form), the execution and delivery of the Form of Acceptance and Assignment constitutes, subject to the Offer becoming wholly unconditional in accordance with its terms and to the accepting Sagentia Switzerland Shareholder not having validly withdrawn his acceptance, separate irrevocable authorities and requests to Sagentia Switzerland or its agents, to procure the registration of the transfer of the Sagentia Switzerland Shares referred to in paragraph (a)(i) in certificated form pursuant to the Offer and the delivery of the share certificate(s) and/or other document(s) of title in respect thereof to Sagentia or as it may direct;
- (f) the execution of the Form of Acceptance and Assignment constitutes a separate authority to any director of Sagentia and to any partner or director of Arbuthnot and/or their respective agents and the irrevocable appointment of any such director and/or agent as such Sagentia Switzerland Shareholder's attorney and/or agent within the terms of this Section C;
- (g) after the Offer becomes or is declared unconditional in all respects and pending registration:
- (i) Sagentia shall be entitled to direct the exercise of any votes attaching to any Sagentia Switzerland Shares in respect of which the Offer has been accepted or is deemed to have been accepted (and in respect of which such acceptance has not been validly withdrawn) and any other rights and privileges attaching to such Sagentia Switzerland Shares, including the right to requisition a general meeting or separate class meeting of Sagentia Switzerland, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
  - (ii) the execution of the Form of Acceptance and Assignment by a Sagentia Switzerland Shareholder constitutes, with regard to the Sagentia Switzerland Shares comprised in such acceptance and in respect of which such acceptance has not been validly withdrawn:
    - (a) an authority to Sagentia Switzerland and/or its agents from such Sagentia Switzerland Shareholder to send any notice, circular, warrant, document or other communication which may be required to be sent to him as a member of Sagentia Switzerland (including any share certificate(s) or other document(s) of title issued as a result of a conversion of such Sagentia Switzerland Shares into certificated form) to Sagentia at its registered office;
    - (b) the irrevocable appointment of Sagentia or any of its directors or agents to sign such documents and do such things as may in the opinion of such person seem necessary or desirable in connection with the exercise of any votes or other rights or privileges attaching to such Sagentia Switzerland Shares (including, without limitation, an authority to sign any consent to short notice of a general or separate class meeting on his behalf and/or to execute a form of proxy in respect of such Sagentia Switzerland Shares appointing any person nominated by Sagentia to attend general or separate class meetings of Sagentia Switzerland or its members or any of them and to exercise the votes attaching to such Sagentia Switzerland Shares on his behalf), such votes (where

relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer;  
and

- (c) the agreement of such Sagentia Switzerland Shareholder not to exercise any of such rights without the consent of Sagentia and the irrevocable undertaking of such shareholder not to appoint a proxy or representative for or to attend any such meetings;
- (h) he will deliver, (or procure the delivery) to Mr Martin Forster c/o Sagentia, Harston Mill, Harston, Cambridge, Cambridgeshire CB22 7GG his share certificate(s) and/or other document(s) of title in respect of the Sagentia Switzerland Shares referred to in sub-paragraph (a)(i) above in certificated form, or an indemnity acceptable to Sagentia in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;
- (i) the terms and conditions of the Offer shall be deemed to be incorporated in and form part of the Form of Acceptance and Assignment, which shall be read and construed accordingly;
- (j) if he accepts the Offer, he shall do all such acts and things as shall be necessary or expedient to vest in Sagentia or its nominees or such other persons as it may decide the Sagentia Switzerland Shares as aforesaid;
- (k) he agrees to ratify each and every act or thing which may be done or effected by Sagentia, Arbuthnot Securities or Mr Martin Forster or by any of their directors or agents or Sagentia Switzerland or its agents, as the case may be, in the proper exercise of any of his or its powers and/or authorities conferred by or referred to in Section B or in this Section C and to indemnify each such person against any losses arising therefrom;
- (l) the execution of the Form of Acceptance and Assignment constitutes his submission, in relation to all matters arising out of the Offer and the Form of Acceptance and Assignment, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of Sagentia or Arbuthnot Securities to bring any action, suit or proceeding arising out of or in connection with the Offer or in any other manner permitted by law or in any court of competent jurisdiction; and
- (m) if any provision of Section B or of this Section C shall be unenforceable or invalid or shall not operate so as to afford Sagentia and Arbuthnot and/or any director or agent of either of them the full benefit of the authorities and powers of attorney expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required or desirable to enable Sagentia and Arbuthnot and/or any director or agent of either of them to secure the full benefit of such authorities and powers of attorney.

On execution the Form of Acceptance and Assignment shall take effect as a Deed.



## **Section D: Instructions on how to accept the Offer, and other information**

### **(a) *Acceptance procedures for Sagentia Switzerland Shares held in certificated form***

To accept the Offer and assign your Sagentia Switzerland Shares in respect of Sagentia Switzerland Shares held in certificated or uncertificated form (at the time of acceptance of the Offer), Sagentia Switzerland Shareholders must complete Boxes 1, 3 and 6 and, if appropriate, Box 4 and/or Box 5 of the Form of Acceptance and Assignment. Sagentia Switzerland Shareholders must also sign Box 2 of the Form of Acceptance and Assignment in the presence of an independent witness (in the case of an individual), who should insert his/her name and address and also sign in accordance with the instructions printed thereon. If Shareholders do not insert a number in Box 1 of the Form of Acceptance and Assignment or insert a number greater than their registered holding of Sagentia Switzerland Shares, a valid acceptance and assignment will be deemed to be made in respect of all of the Sagentia Switzerland Shares in certificated and uncertificated form held by them. Additional Forms of Acceptance and Assignment are available from Sagentia at Harston Mill, Harston, Cambridge, Cambridgeshire CB22 7GG or by telephoning 01223 875200 or, if calling from overseas, +44 1223 875 200.

#### **(i) *To accept the Offer in respect of less than all their Sagentia Switzerland Shares***

To accept the Offer and assign their Sagentia Switzerland Shares in respect of less than all their Sagentia Switzerland Shares, Sagentia Switzerland Shareholders must insert in Box 1 on the Form of Acceptance and Assignment such lesser number of Sagentia Switzerland Shares in respect of which they wish to accept the Offer and assign in accordance with the instructions printed thereon. Sagentia Switzerland Shareholders should then follow the procedure set out in sub-paragraph (a) above in respect of such lesser number of Sagentia Switzerland Shares. If Sagentia Switzerland Shareholders do not insert a number in Box 1, a valid acceptance and assignment will be deemed to be made in respect of all the Sagentia Switzerland Shares held by them.

#### **(ii) *Return of Form of Acceptance and Assignment***

To accept the Offer, the completed Form of Acceptance and Assignment should be returned signed and witnessed by post or by hand (during normal business hours only) to Mr Martin Forster c/o Sagentia, Harston Mill, Harston, Cambridge, Cambridgeshire CB22 7GG, together (for those Sagentia Switzerland Shares in certificated form and subject to paragraph (iii) below) with the relevant share certificate(s) (in the case of shares held in certificated form) and/or other document(s) of title as soon as possible, but in any event so as to arrive no later than 3.00 p.m. on 2 July 2008. A pre-addressed envelope for use in the UK only is enclosed for your convenience. No acknowledgement of receipt of documents will be given by or on behalf of Sagentia. The instructions printed on the Form of Acceptance and Assignment are deemed to form part of the terms of the Offer.

Any Form of Acceptance and Assignment received in an envelope postmarked in the United States, Canada, Australia, South Africa or Japan or otherwise appearing to Sagentia or its agents to have been sent from the United States, Canada, Australia, South Africa or Japan may be rejected as an invalid acceptance of the Offer.

#### **(iii) *Documents of title – certificated form***

If Sagentia Switzerland Shares are in certificated form, a completed, signed and witnessed Form of Acceptance and Assignment should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are lost or not readily available, Sagentia Switzerland Shareholders should nevertheless complete, sign and return the Form of Acceptance and Assignment, as stated above, so as to be received by Mr Martin Forster by no later than 3.00 p.m. on 2 July 2008. Sagentia Switzerland Shareholders should send with the Form of Acceptance and Assignment any share certificate(s) and/or other document(s) of title which they may have

available and a letter stating that the remaining documents will follow as soon as possible or that they have lost one or more of their share certificate(s) and/or other document(s) of title. No acknowledgement of receipt of documents will be given. If a Sagentia Switzerland Shareholder has lost his/her share certificate(s) and/ or other document(s) of title, he or she should contact Sagentia on 01223 875 200 or if they are calling from overseas +44 1223 875 200.

(iv) *Sagentia Switzerland Shares in uncertificated form*

Holders of Sagentia Switzerland Shares in uncertificated form should instruct their depository bank to procure, upon the Offer becoming unconditional, that the book entries in the SIS Sega Inter Settle-System are adjusted so that the number of Sagentia Switzerland Shares for which they accept the Offer is credited in favour of Sagentia UK.

(b) ***Acceptance procedures for Sagentia Switzerland CDIs***

Holders of Sagentia Switzerland CDIs will be advised by Euroclear how the Offer may be accepted in respect of Sagentia Switzerland Shares underlying the CDIs.

Holders of Sagentia Switzerland CDIs will also receive another letter from the Chairman of Sagentia Switzerland providing them with some information in relation to the Offer which is specific to the holders of Sagentia Switzerland CDIs and containing contact details of Euroclear. Holders of Sagentia Switzerland CDIs should note that the Offer is not being made directly to them and that the Offer contained in the Offer Document is open for acceptance only by persons who hold their Sagentia Switzerland Shares directly.

## PART V

### Additional Information

#### 1. History and Development

##### *Sagentia*

The Company's full name is Sagentia Group plc. The Company is registered in England under company registration number 6536543. The Company was incorporated on 17 March 2008 in England under the Companies Act 1985. The Company is incorporated in the United Kingdom, is a public company limited by shares and operates under English law.

The Company's registered office is Harston Mill, Harston, Cambridge, Cambridgeshire CB22 7GG. The Company's telephone number is 01223 875200. Its principal place of business is at the address of its registered office above.

Sagentia is a newly-incorporated public limited company set up for the express purpose of implementing the Offer and other proposals described in this document.

##### *Sagentia Switzerland*

Sagentia Switzerland's full name is Sagentia Group AG. The company is registered in Switzerland under registration number CH-020.3.007.877-4. Sagentia Switzerland is incorporated in Switzerland, is a public company limited by shares and operates under Swiss law.

Sagentia Switzerland's registered office is 44 Bahnhofstrasse, CH-8023, Zurich, Switzerland. The principal place of business of the Existing Sagentia Group is at the address of its registered office above and it also operates from facilities in Cambridge (England); Maryland (USA); Frankfurt (Germany), Stockholm (Sweden) and in Hong Kong (China).

Full details of the important events in the development of the Existing Sagentia Group are set out in paragraph 2 of Part I of this document.

#### 2. Responsibility

2.1 The persons responsible for the information contained in this document are:

- (i) The Company, whose registered office is at Harston Mill, Harston, Cambridge, Cambridgeshire CB22 7GG; and
- (ii) The Directors, whose names appear on page 10.

2.2 The Directors, whose names appear on page 10, and the Company accept responsibility for all the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

#### 3. Auditors

The Company's auditors are Grant Thornton UK LLP of Grant Thornton House, Kettering Parkway, Kettering, Northants NN15 6XR.

#### 4. Share Capital

4.1 The Company was incorporated with an authorised share capital of £513,863.90 divided into 46,386,390 Ordinary Shares, of which 1 Ordinary Share was issued to Guy McCarthy and 1 Ordinary

Share was issued to Dr Alistair Brown, and 50,000 Convertible Preference Shares of £1 per share were issued to the Existing Sagentia Group EBT.

- 4.2 Since 17 March 2008, the date of its incorporation, save as set out in paragraph 4.1, no change has occurred in the share capital of Sagentia.
- 4.3 Other than the Convertible Preference Shares referred to in paragraph 4.1, the Company has not issued any exchangeable securities or securities with warrants.
- 4.4 No shares in the capital of the Company are held by or on behalf of the Company.
- 4.5 The Directors propose to introduce a new option scheme to incentivise directors and key employees of the New Sagentia Group. The Directors propose to limit the grant of employee options to subscribe for Sagentia Shares to a maximum of 15 per cent. of Sagentia Issued Share Capital. No capital of Sagentia is currently under option.
- 4.6 The Existing Sagentia Group EBT currently holds 42,100 Sagentia Switzerland Shares and has given an irrevocable undertaking to accept the Offer in respect of its entire holding of such Sagentia Switzerland Shares. It also holds 50,000 Convertible Preference Shares in Sagentia. The Convertible Preference Shares are convertible into Ordinary Shares at the rate of 2.96 Ordinary Shares for each Convertible Preference Share converted and it is intended that the Ordinary Shares arising on conversion of the Convertible Preference Shares are allocated as part of appropriate employee incentivisation arrangements.
- 4.7 The ISIN number of the Ordinary Shares is GB00B39GTJ17.

## 5. The Sagentia Directors

- 5.1 The tables below state the names of all other companies and partnerships of which the Directors are or have been a director or partner at any time in the period of five years immediately preceding the date of this document:

<i>Name</i>	<i>Current</i>	<i>Past</i>
Christopher Masters	Alliance Trust PLC, British Assets Investment Trust plc, Sagentia Group AG, The Crown Agents, Wood Group PLC	SMG plc, Voxar Limited
Lars Kylberg	–	Morgan Crucible Plc,
Alistair Brown	Sagentia Holdings Ltd, Sagentia Ltd, Sagentia SGAI Ltd	Sagentia GmbH
Daniel Flicos	Sagentia Catella AB, Sagentia Group AG, Sagentia Holdings Ltd, Sagentia Inc, Sagentia Ltd	–
Guy McCarthy	Atranova Ltd, D-Hold Ltd, Flying Null Ltd, Intrasonics Ltd, Manage5Nines Ltd, Sagentia GmbH, Sagentia Holdings Ltd, Sagentia Inc, Sagentia Ltd, Sagentia Public Sector Ltd,	Cascade Generics Ltd, Gg 109 Ltd, Gg 110 Ltd, Gg 111 Ltd, Sphere Medical Holding plc, Sphere Medical Ltd, Technical Investment Services Ltd,

<i>Name</i>	<i>Current</i>	<i>Past</i>
Guy McCarthy (continued)	Sagentia Sensors Ltd, Sagentia SGAI Ltd, Scientific Generics Ltd, Sensopad Ltd, Sterling Research Ltd, 3D Molecular Sciences Ltd	Technology and Finance Ltd, Technology Ltd, TT electronics

Staffan Ahlberg	–	–
-----------------	---	---

- 5.2 Save as disclosed above, none of the Directors has been a director or member of any administrative, management or supervisory body of any companies or partner in any partnerships at any time in the period of five years immediately preceding the date of this document.
- 5.3 There are no potential conflicts of interest between any duties to Sagentia of the Sagentia Directors and their private interests or their other duties.
- 5.4 The interests (all of which are beneficial unless otherwise stated) of the Directors and persons connected with them in the Sagentia Issued Share Capital immediately following Admission will be as set out below (assuming no dealing by any such persons between the date of this document and completion of the Offer):

<i>Name</i>	<i>Number of Sagentia Ordinary Shares</i>	<i>Percentage of issued Sagentia Shares*</i>
Christopher Masters	100,000	0.46
Alistair Brown	22,500	0.10
Guy McCarthy	20,620	0.09
Staffan Ahlberg	–	–
Lars Kylberg	34,654	0.16
Daniel Flicos	–	–

\* Assuming 100 per cent. acceptances of the Offer and no exercise of options.

The current interests of the Sagentia Directors in the issued share capital of Sagentia are set out in paragraph 6 of this Part V.

- 5.5 None of the Directors has had any convictions in relation to fraudulent or indictable offences in the five years preceding the date of this document.
- 5.6 None of the Directors has been a bankrupt or entered into an individual voluntary arrangement. None of the Directors was a director of any company or partner of any partnership at the time of or within 5 years of any compulsory liquidation, administration or partnership voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed. None of the Directors acting in a capacity of director, or senior manager has been associated with any bankruptcies, receiverships, compulsory liquidations, creditors' voluntary liquidations, company voluntary liquidations or any company's composition or arrangements with its creditors generally or any class of its creditors in the five years preceding the date of this document. None of the Directors was a director of any company or a partner of any partnership which owned any assets over which a receiver has been appointed at the time of or within 5 years of such receivership.
- 5.7 There have been no public official incriminations and/or sanctions of any of the Directors, nor any public criticism of any of the Directors, by any statutory or regulatory authority (including designated professional bodies) and none of the Directors has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company within the five years preceding the date of this document.
- 5.8 Save as described in paragraph 8 of this Part V, the Directors have not been granted any remuneration (including contingent and deferred compensation) and benefits in kind by the Company for services in all capacities by any person since incorporation

- 5.9 As at the date of this document and upon Admission, neither the Directors nor any member of a Director's family (which, in relation to this paragraph means a spouse, any child where such is under the age of 18 years, any trust in which such individuals are trustees or beneficiaries and any company over which they have control or more than 20 per cent. of its voting or equity rights in general meeting, but excluding any employee share or pension scheme where such individuals are beneficiaries rather than trustees) held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.
- 5.10 As at the date of this document, the Company employs no persons.

As at the date of this document, the Existing Sagentia Group employs 219 persons.

## 6. Substantial shareholders

- (a) The current shareholders of Sagentia are:

<i>Name</i>	<i>Shareholding:</i>	<i>Percentage of issued share capital</i>
Guy McCarthy	1 Ordinary Share	50%
Alistair Brown	1 Ordinary Share	50%
Existing Sagentia Group EBT	50,000 Convertible Preference Shares	–

Save as set out above, no person directly or indirectly had an interest representing 3 per cent. or more of the existing share capital of the Company (being the threshold at or above which, in accordance with UK law, an interest must be declared to Sagentia). Following completion of the Proposals Messrs. McCarthy and Brown will cease to hold controlling 50 per cent. interests.

- (b) As at 10 June 2008, being the last practicable Business Day prior to the posting of this document, Sagentia Switzerland had been notified of the following significant interests in its ordinary share capital:

<i>Name</i>	<i>Sagentia Switzerland Shares</i>	<i>Percentage of issued Sagentia Switzerland share capital</i>
Catella Switzerland AG	105,120,800	48.8
Herald Investment Management Limited	13,874,912	6.4
Gordon Edge	11,026,403	5.2

Save as set out above, no person, directly or indirectly, had at 10 June 2008 an interest of 3 per cent. or more of the existing share capital of Sagentia Switzerland.

- (c) So far as the Company is aware, based on information notified to the Company and assuming Sagentia receives acceptances representing 100 per cent. of Sagentia Switzerland's issued share capital and no Sagentia Switzerland Options are exercised, the substantial shareholders of Sagentia following the completion of the Proposals will be:

<i>Name</i>	<i>Sagentia Shares</i>	<i>Percentage of issued Sagentia share capital</i>
Catella	10,512,080	48.8
Herald Investment Management Limited	1,387,491	6.4
Gordon Edge	1,102,641	5.2

- (d) A relationship agreement between Catella and Sagentia has been entered into to ensure that control by Catella is not abused. This agreement is summarised in paragraph 23.2(c) of this Part V.

- (e) Save in respect of the Convertible Preference Shares, all the Sagentia Shares rank *pari passu* and no Sagentia Shareholder enjoys different or enhanced voting rights.
- (f) None of the holders of Sagentia Shares listed in paragraph 6(a) above has in respect of his holding of Sagentia Shares voting rights different from the other holders of Sagentia Shares (save for the holders of Convertible Preference Share – please see summary of Articles of Association).
- (g) Save in respect of the Offer and other proposals described in this document, Sagentia is not aware of any arrangements the operation of which may at a date subsequent to this document result in a change in control at Sagentia.
- (h) Since the incorporation of Sagentia on 17 March 2008, there has not been a takeover offer (within the meaning of Part XII A of the Act) for any Sagentia Shares.

## 7. Market in Sagentia Shares

The Sagentia Shares are expected to be admitted to AIM on 8 July 2008 and will be quoted in pounds sterling.

## 8. Directors' Service Contracts and Non-Executive Appointment Letters

### Sagentia Directors' Service Contracts

#### (a) **Guy McCarthy**

Mr McCarthy has entered into a service agreement with the Company dated 30 May 2008, which is subject to termination upon 6 months' notice by either party. The agreement provides for an initial annual salary of £111,000, membership of a private medical scheme, permanent health insurance, life assurance cover and pension contributions. Mr McCarthy participates in a discretionary bonus scheme of such amount and subject to such conditions as the Company may in its absolute discretion determine.

#### (b) **Alistair Brown**

Mr Brown has entered into a service agreement with the Company dated 30 May 2008, which is subject to termination upon 6 months' notice by either party. The agreement provides for an initial annual salary of £145,000, membership of a private medical scheme, permanent health insurance, life assurance cover and pension contributions. Mr. Brown participates in a discretionary bonus scheme of such amount and subject to such conditions as the Company may in its absolute discretion determine.

#### (c) **Daniel Flicos**

Mr Flicos has entered into a service agreement with the Company dated 30 May 2008 which is subject to termination upon 6 months' notice by either party. The agreement provides for an initial annual salary of £129,415, membership of a private medical scheme, permanent health insurance, life assurance cover and pension contributions. Mr. Flicos participates in a discretionary bonus scheme of such amount and subject to such conditions as the Company may in its absolute discretion determine.

#### (d) **Lars Kylberg**

Lars Kylberg is appointed by the Company as a non-executive director pursuant to a letter of appointment which was entered into with effect from 23 May 2008 between the Company and Lars Kylberg for an initial period of three years, subject to termination by either party by giving not less than three months' notice in writing. Lars Kylberg is entitled to annual fees of £15,000.

#### (e) **Christopher Masters**

Christopher Masters is appointed by the Company as a non-executive director pursuant to a letter of appointment which was entered into with effect from 23 May 2008 between the Company and Christopher Masters for an initial period of three years, subject to termination by either party by

giving not less than three months' notice in writing. Christopher Masters is entitled to annual fees of £50,000.

(f) **Staffan Ahlberg**

Staffan Ahlberg is appointed by the Company as a non-executive director pursuant to a letter of appointment which was entered into with effect from 23 May 2008 between the Company and Staffan Ahlberg for an initial period of three years, subject to termination by either party by giving not less than three months' notice in writing. Staffan Ahlberg is entitled to annual fees of £15,000.

**9. Subsidiary Undertakings of Sagentia Switzerland**

9.1 The following companies are (as at the date of this document) the principal Subsidiary undertakings of Sagentia Switzerland, all of which are directly or indirectly wholly owned by it:

<i>Subsidiary</i>	<i>Country of incorporation/residence</i>	<i>Proportion of Shareholding and voting power</i>
<b>Core Operations</b>		
Sagentia Limited	England	100
Sagentia Catella AB	Sweden	100
Manage5nines Ltd.	England	80
Sagentia Inc.	USA	100
SGAI-Tech Limited	Hong Kong	63
Sagentia GmbH	Germany	100
Chord Capital Limited	England	100
Cascade Generics Limited	England	100
<b>Venture Subsidiaries</b>		
Atranova TM Limited	England	82
Sensopad Limited	England	80

9.2 As at the date of this document, Sagentia has no Subsidiary undertakings. Following completion of the Proposals, the principal Subsidiary undertakings of Sagentia will be Sagentia Switzerland, and its indirect Subsidiary undertakings will be those listed in paragraph 9.1 above.

**10. Investments**

10.1 As at the date of this document, Sagentia has made no major investments from its date of incorporation up to the date of this document.

10.2 The Existing Sagentia Group has made the following major investments in the three years ended 31 December 2007 and up to the date of this document:

<i>Investment</i>	<i>Country of incorporation/residence</i>	<i>Activity</i>	<i>Existing Sagentia Group fully diluted equity interest* (%)</i>
Sphere Medical Holding plc	England	Medical sensor technology	11.8
CMR Fuel Cells plc	England	Fuel cell technology	8.3
Atraverda Limited	England	Battery technology	9.0
Sensortec Limited	Jersey	Environmental sensing technology	10.0
Turftrax Holding plc	England	Location tracking technology	7.7

\*Fully diluted interest assumes that granted options have been exercised with the exception of CMR Fuel Cells.



## 11. Principal Establishments

11.1 As at the date of this document, Sagentia does not occupy any establishments.

11.2 The following is a summary of the principal establishments occupied by members of the Existing Sagentia Group:

<i>Leasehold Location</i>	<i>Lease expiry</i>	<i>Annual rent</i>	<i>Area ft<sup>2</sup></i>
Baltimore	2008	33	4,500
Washington	2013	63	4,000
Frankfurt	2009	72	2,260
Stockholm	2009	88	13,700
Fotan	2008	12	2,700

  

<i>Freehold Location</i>	<i>Area ft<sup>2</sup></i>
Harston Mill	79,000
Harston	

11.3 There are no material environmental issues affecting the Existing Sagentia Group's utilisation of the properties referred to above.

## 12. Legal and Arbitration Proceedings

Sagentia and the Existing Sagentia Group are not, and have not been, engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Sagentia or the Existing Sagentia Group are aware) which may have or have had during the 12 months prior to the date of this document a significant effect on the financial position or profitability of Sagentia or the Existing Sagentia Group.

## 13. Working capital

- (a) Sagentia is of the opinion that taking into consideration the bank and other facilities available to the New Sagentia Group, the working capital of the New Sagentia Group is sufficient for its present requirements, that is at least the next twelve months from the date of this document. This statement has been included in this document for the purpose of the Prospectus Rules.
- (b) The Existing Sagentia Group is of the opinion that the Existing Sagentia Group has sufficient working capital for its present requirements, that is at least the next twelve months from the date of this document. This statement has been included in this document for the purpose of the Prospectus Rules.
- (c) The Directors of Sagentia are of the opinion, having made due and careful enquiry, that Sagentia has sufficient working capital available to it for its present requirements, that is for at least the next 12 months from the date of Admission. This statement has been included in this document for the purpose of the AIM Rules for Companies.

## 14. Memorandum and Articles of the Company

### 14.1 *Memorandum of association*

The memorandum of association of the Company provides that the Company may:

- (a) engage in any activity of whatsoever nature in which a person may lawfully engage whether with a view to profit or otherwise howsoever including (without prejudice to the generality of the foregoing):
  - (i) carrying on either on the Company's own account or on account of any other person all or any of the businesses of manufacturers, providers of healthcare products and services, builders, fabricators, general merchants and traders, cash, discount, mail order and credit traders, retailers, wholesalers, buyers, sellers, suppliers, distributors, importers and exporters, and shippers of, and dealers in all products, goods, wares, substances, materials, merchandise and produce of every description; manufacturers' agents and

representatives; mechanical, general, civil, constructional, electrical, marine, radio, electronic, aeronautical, chemical and petrochemical engineers; consultants and advisers of all descriptions; land and property developers, estate agents, dealers in and lessors and developers of land and buildings; mortgage brokers, insurance brokers and consultants, stock brokers, financial agents, advisers, managers and administrators, hire purchase and general financiers, commission agents, capitalists, financiers, bankers; marketing and business consultants, advertising agents and contractors, public relations advisers and consultants; discount traders, mail order traders; haulage and transport contractors, garage and filling station proprietors, owners and operators; repairers, customisers, charterers, hirers and letters on hire of, and dealers in motor and other vehicles, aircraft, ships, boats, vessels, plant, machinery, apparatus, tools, utensils, equipment and goods of every description, lightermen and carriers of goods and passengers by road, rail, water or air, transport agents, customs agents, stevedores, wharfingers, cargo superintendents, packers, shippers, railway, shipping and forwarding agents, warehouse storekeepers, cold store keepers, general storekeepers, hotel and restaurant proprietors, managers and operators, caterers, publicans, brewers, printers and publishers, travel agents, ticket agents and conductors of agency business of all kinds and generally to render services of all kinds to others, to act as brokers and agents for and to perform subcontracting for any other person;

- (ii) participating in, undertaking, performing and carrying on all kinds of commercial, industrial, trading and financial operations and enterprises; and
  - (iii) engaging in all kinds of artistic, cultural, educational and scientific activities and the promotion thereof and engaging in all kinds of design, invention, research, development and experimentation.
- (b) carry on in any part of the world any other business or activity which may seem to the Directors to be capable of being conveniently or advantageously carried on in connection with any of the above businesses or directly or indirectly to further or facilitate the objects of the Company or to enhance the value of or render profitable or more profitable any of the Company's property or assets or utilising its skills, know-how or expertise or otherwise to advance the interests of the Company or any of its members.
- (c) be an investment holding company and to acquire (whether by original subscription, tender, purchase, exchange or otherwise) the whole of or any part of the stock, shares, debentures, debenture stocks, loan notes, bonds and other securities issued or guaranteed by a body corporate constituted or carrying on business in any part of the world or by any government, sovereign ruler, commissioners, public body or authority and to hold the same as investments, and to sell, exchange, carry and dispose of the same and to co-ordinate the business of any companies in which the Company is for the time being interested.
- (d) purchase or otherwise acquire or take over the whole or any part of the share capital, business or undertaking, goodwill, property and assets of any person which may in the opinion of the Directors be expedient or be capable of being conveniently carried on, or calculated directly or indirectly to enhance the value of or make profitable any of the Company's property or rights to be suitable for the purposes of the Company and to become interested in, and carry on, dispose of, remove or put an end to the same or otherwise deal with any such business or undertaking and as part of the consideration for such Reorganisation to undertake all or any of the liabilities of such person or to acquire an interest in, amalgamate or enter into partnership, joint venture or any arrangement for sharing profits, or for co-operation or union of interests or reciprocal concession or for limiting competition, or for mutual assistance, with any person and to subsidise or otherwise assist any such person, and to give or accept by way of consideration for any of the acts or things aforesaid or property acquired, any shares, monies, assets, rights, debentures, debenture stock or other securities that may be agreed, and to hold and retain or sell, mortgage or otherwise deal with any shares, monies, assets, rights, debentures, debenture stock or other securities so received.

- (e) Either with or without the Company receiving any consideration or advantage, direct or indirect, from giving any such guarantee, guarantee by personal covenant or by mortgaging or charging all or any part of its undertaking, property and assets present and future and uncalled capital or by any combination of such methods or by any other means whatsoever the performance of the obligations (whether legally binding or not) and the payment of any moneys (including but not limited to capital or principal, premiums, dividends or interest, commissions, charges, discount and any costs or expenses relating thereto whether on any stocks, shares or securities or in any other manner whatsoever) by any person including but not limited to any person which is for the time being the Company's holding company or a subsidiary of the Company or of the Company's holding company or any person and for the purposes of this paragraph (e) any references to "guarantee" shall include indemnities, sureties and any obligation (howsoever described) to pay, satisfy, provide funds for the payment or satisfaction of (including, without limitation, by advance of money, purchase of or subscription for shares or other securities and purchase of assets or services) or to indemnify against the consequences of any failure by any other person to perform any obligation or make any payment, or otherwise agree to be responsible for, any indebtedness of any other person.
- (f) borrow, raise money and secure or discharge any debt or obligation of or binding on the Company in such manner as the Directors may think fit and in particular by mortgages of or charges upon the undertaking and all or any part of the real and personal property (present and future) and the uncalled capital of the Company or by the creation and issue of debentures, debenture stock or other obligations or securities of any description and to purchase, redeem or pay off such securities.

14.2 This section describes the material provisions of the Company's Articles. It is a description of significant rights and does not purport to be complete or exhaustive.

(a) *Votes of members*

Subject to the provisions of the Act and to any special rights or restrictions as to voting attached to any shares or class of shares or otherwise provided by these Articles, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present or by proxy shall have one vote for every share of which he is the holder. If a member appoints multiple proxies in respect of different Ordinary Shares, the chairman should require a poll vote if these multiple proxies would affect the result of a resolution on a show of hands but not on a poll. The holders of Deferred Shares and of Convertible Preference Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company.

(b) *Votes of joint holders*

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the share register in respect of the share.

(c) *Transfer of shares*

(i) **Form of transfer**

The instrument of transfer of any share in the Company shall be signed by or on behalf of the transferor and, when the share is not fully paid, shall be also signed by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

Shares in the Company may be transferred by transfer in writing in any usual or common form or in any other form acceptable to the Board and may be under hand only.

(ii) **Right to refuse registration**

The Board may in its absolute discretion and without assigning any reason for its actions refuse to register any transfer of any share which is not a fully paid share provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are officially listed on the London Stock Exchange or quoted on AIM on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

The Board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share; is lodged at the Registered Office or such other place as the Board may appoint; is accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); is duly stamped (if so required); and in the case of a transfer to joint holders, the number of joint holders does not exceed four.

(iii) **Transfer without certificate**

In the case of a transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange the lodgement of share certificates with the instrument of transfer will only be necessary if and to the extent that certificates have been issued in respect of the shares in question. The expressions “recognised clearing house” and “recognised investment exchange” shall have the meanings given to them in the Financial Services Act 1986.

(d) *Dividends*

(i) **Declaration of dividend**

The Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests but no such dividend shall exceed the amount recommended by the Board.

If and so far as the Board consider that the profits of the Company justify such payments the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on half-yearly or other dates prescribed for the payment of such dividends and may also from time to time declare and pay interim dividends on shares of any class of such sums and on such dates and in such respect of such periods as it thinks fit. Provided the directors act in good faith they shall not incur liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

(ii) **Ranking of shares for dividend**

The Company will, without any need for a resolution of the Board or of the Company in general meeting and before application of any profits to reserve or in payment of any other dividend or for any other purpose pay in respect of each Convertible Preference Share a fixed cumulative cash preferential dividend (the “**Preference Dividend**”) at the annual rate of 8 per cent. to be paid semi-annually or on the winding up of the Company to the person registered as its holder on the relevant date (the first such payment to be made on 31 March 2009 for the period from and including the date of issue of such Convertible Preference Shares up to 31 December 2009.

Every dividend shall be distributed to the appropriate shareholders *pro rata* according to the numbers of shares held by them respectively and shall accrue on a daily basis assuming a 365-day year. All dividends are expressed net and shall be paid in cash.

If the Company is unable to pay in full on the due date any Preference Dividend by reason of having insufficient available profits then it will on that date pay it to the extent that it is then lawfully able to do so.

Unless the Company has insufficient available profits, the Preference Dividend will, notwithstanding that it is expressed to be cumulative, automatically become a debt due from and immediately payable by the Company on the payment date specified in Article 31.3. If and to the extent that the debt so constituted is not paid in full on that date, the unpaid amount will carry interest at an annual rate of 4 per cent. above the base rate from time to time of Barclays Bank plc, calculated on a daily basis over a 365 day year from and including the date any sum becomes due to the actual date of payment, compounded to the end of each calendar month in respect of the period from that date up to (and including) the date of actual payment.

Where the Company is in Arrears, the first available profits arising will be applied in or towards paying off all arrears of the Preference Dividend.

Unless and to the extent that the rights attached to any shares or the terms of issue of such shares otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the sums paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this article no sum paid on a share in advance of calls shall be treated as paid on the share.

(iii) **No dividend except out of profits**

No distribution shall be paid otherwise than out of profits available for distribution under the provisions of the Act.

(iv) **No interest on dividends**

No dividend or other moneys payable in respect of a share shall bear interest against the Company.

(v) **Retention of dividends**

The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or obligations in respect of which the lien exists.

The Board may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares in these articles entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

(vi) **Unclaimed dividend**

All dividends, interest or other sum payable unclaimed for a period of twelve months after having been declared may be invested or otherwise made use of by the Company until claimed and the Company will not be constituted as trustee in respect of such unclaimed sum.

Any dividend unclaimed after a period of twelve years from the date of payment is due shall be forfeited and returned to the Company.

(vii) **Distribution *in specie***

The Company may upon the recommendation of the Board by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in

particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Board may settle the same as it thinks expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.

(viii) **Manner of payment of dividends**

Any dividend or other monies payable in cash on or in respect of a share may be paid by: cheque, warrant or other financial instrument sent through the post to the registered address of the member or person entitled to such dividend or other monies (or, if two or more persons are registered as joint holders of the share or are entitled to such share in consequence of the death, bankruptcy or mental disorder of the holder or by operation of law or any other event, to any one of such persons) or to such person and such address as such member or person or persons may be in writing direct; by means of the relevant system (including, without limitation, CREST) in respect of the uncertificated share if the Board decides and the person entitled to payment has in writing authorised the payment to be made by means of that system; or by such other method as the person entitled to the payment may agree in writing.

Payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented by such cheque or warrant and shall (where relevant) be crossed in accordance with the Cheques Act 1992. Payment by bank or other funds transfer, by means of relevant systems (which, if the relevant system is CREST, may include the sending by the Company or by any person on its behalf of an instruction to the Operator of the relevant system to credit the Cash Memorandum Account of the holder or joint holders or, if permitted by the Company, of such person as the holder or joint holders may direct) or by another method at the direction of the person(s) entitled to payment shall be a good discharge to the Company and the Company shall have no responsibility for any amounts lost or delayed in the course of making that payment.

Subject to the provisions of these Articles and to the rights attaching to any shares, any dividend or other monies payable on or in respect of a share may be paid in such currency as the Board may determine.

(ix) **Record date for dividends**

Subject to the Statutes and the requirements of the London Stock Exchange, the Company in general meeting, or the Board by resolution, may specify any date (the “**record date**”) as the date at the close of business on which persons registered as the holders of shares shall be entitled to receipt of any dividend, distribution, interest, allotment, issue or other right and such record date may be on, or at any time before or after, that on which the resolution is passed. Upon that date the dividend, distribution, interest, allotment, issue or other right shall then be payable or due to them in accordance with their respective holdings so registered, but without prejudice to the rights between transferors and transferees of any such shares in respect of such dividend, distribution, interest, allotment, issue or other right.

(e) *Capitalisation of profits and reserves*

The Board may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company’s reserve accounts (including any share premium account, capital redemption reserve, or other undistributable reserve) or any sum standing to the credit of profit and loss account.

Such capitalisation shall be effected by appropriating such sum to the members holding ordinary shares at the close of business on the date of the resolution (or such other date as may be specified in such resolution or determined as provided in such resolution) in proportion to the members' holdings of such ordinary shares and applying such sum on their behalf in paying up in full unissued Ordinary Shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst the members in proportion to their holdings.

The Board may do all acts and things considered necessary or expedient to give effect to an such capitalisation, with full power to the Board to make such provision as it thinks fit for any fractional entitlements (including provisions whereby fractional entitlements are disregarded or the benefit of such are disregarded or the benefit of such fractional entitlements accrues to the Company rather than to the members concerned). The Board may also authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalisation and matters incidental to such capitalisation and any agreement made under such authority shall be effective and binding on all concerned.

(f) *Share capital*

(i) **Variation of rights**

If at any time the share capital of the Company is divided into different classes of shares, the special rights for the time being attached to any share or class share in the Company may, subject to the provisions of the Act be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class, but not otherwise, and may be so varied or abrogated whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting all the provisions of the Articles any relating to general meetings shall with necessary modifications apply, except that the quorum shall be two persons holding or representing by proxy at least one-third in nominal value paid up of the issued shares of the class but at an adjourned meeting the quorum shall be one person holding shares of the class in question in person or by proxy and that any holder of shares of the class in question present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him.

The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue of that class of shares, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects equally with such shares but in no respect in priority to such shares or by the purchase by the Company of any of its own shares.

(ii) **Increase in share capital**

The Company may by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe. All new shares shall be subject to the provisions of the Act and to the provisions of the Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

(iii) **Consolidation, subdivision and cancellation**

The Company may from time to time by ordinary resolution:

- (A) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;

- (B) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;
- (C) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller nominal value than is fixed by the memorandum of association of the Company and so that the resolution may determine that, any of the sub-divided shares may have any preference or advantage or be subject to any restriction as compared to the others.

(iv) **Fractions on consolidation**

Following a consolidation of shares resulting in members being entitled to fractions of shares, the Board may deal with such fractions as they think fit and may sell the shares representing the fractions to any person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among the relevant members entitled to such fractions and the Directors may authorise some person to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. The person to whom any shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

(v) **Purchase of own shares**

Subject to the provisions of the Act and any special rights for the time being attached to any shares, the Company may purchase or may enter into any contract under which it will or may purchase, any of its own shares of any class (including any redeemable shares).

Where convertible securities are in issue which are convertible into or carrying a right to subscribe for equity shares of the class proposed to be purchased, a separate meeting of the holders of the convertible securities must be held and their approval by extraordinary resolution obtained before the Company enters into any contract to purchase equity shares of the relevant class.

(g) *Forfeiture and lien*

(i) **Notice on failure to pay a call**

If any member fails to pay any call or instalment of a call in full on or before the day appointed for payment thereof, the Board may, at any time thereafter serve a notice on him requiring him to pay so much of the call or instalment as is unpaid, together with interest accrued and any expenses incurred by the Company by reason of such non-payment.

The notice shall name a further day (being not fewer than seven days from the date of service of the notice) on or before which and the place where such non-payment required by the notice is to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed the shares in respect of which such call or instalment is payable will be liable to forfeiture.

(ii) **Forfeiture for non-compliance**

If the requirements of any such notice as aforesaid be not complied with, any share in respect of which such notice has been given may, at any time after the non-compliance before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall extend to all dividend declared in respect of the shares so forfeited and not actually paid before such forfeiture. The Board may accept a surrender of any share liable to be forfeited under the Articles.



(iii) **Disposal of forfeited shares**

A share forfeited or surrendered shall become the property of the Company and, subject to the Statutes may be sold, re-allotted or disposed of in any other way either to the person who was the holder of such share or entitled to such share before such forfeiture or surrender, or to any other person upon such terms and in such manner as the Board shall think fit and at any time before a sale, re-allotment or other disposition the forfeiture may be annulled by the Board on such terms as it thinks fit. The Board may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such other person.

(iv) **Holder to remain liable despite forfeiture**

A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares (and shall surrender to the Company for cancellation the certificate for such shares) but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest on such shares at such rate (not exceeding 15 per cent. per annum) as the Board may determine from the date of forfeiture or surrender until payment. The Board may at its absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part.

(v) **Lien on partly paid shares**

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of such share. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this article of the Articles.

(vi) **Sale of shares subject to lien**

The Company may sell in such manner as the Board thinks fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereof by reason of his death or bankruptcy.

(vii) **Proceeds of sale of shares subject to lien**

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities in respect whereof the lien exists so far as the same are presently payable and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the time of the sale. For giving effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser.

(viii) **Evidence of forfeiture**

A statutory declaration in writing that the declarant is a Director or the secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if

the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, surrender, sale, re-allotment or disposal of the share.

(h) *Directors*

A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings.

(i) **Share qualification**

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at shareholders' meetings.

(ii) **Directors' fees**

The ordinary remuneration fees of the Directors shall from time to time to time be determined by the Board except that such remuneration shall not exceed £750,000 per annum in aggregate or such higher sum as may be determined from time to time by the Company.

(iii) **Other remuneration of Directors**

Any Director (including any person employed by the Company who may be appointed a Director) who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid such additional remuneration by way of salary, participation in profits or otherwise as the Directors may determine.

(iv) **Directors' expenses**

The Board may repay to any Director any such reasonable expenses as he may incur in attending meetings of the Board or otherwise in connection with the business of the Company.

(v) **Directors' pensions and other benefits**

The Board shall have the power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director or ex-director and for the purpose of providing such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(vi) **Directors' interest in contracts**

A Director may be party to or in any way interested in any contract or arrangement or transaction to which the Company is a party or in which the Company is in any way interested and he remunerated in respect of any office or place of profit (except as office as auditor) under the Company or any other company in which the Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for the Company and be remunerated for his acts and in any such case he may retain for his own use and benefit all profits and advantages accruing to him under or in consequence of his acts and no such contract or transaction will be voidable on the grounds of any such interest.

(vii) **Disclosure of interests to the Board**

A Director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement or transaction with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract, arrangement or transaction is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested. A general notice given to the Board by a Director that he is to be regarded as having an interest (of the nature and extent specified in the notice) in any contract, transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a sufficient disclosure in relation to such contract, transaction or arrangement, and an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

(viii) **Appointment of executive directors**

The Board may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of chairman or deputy chairman) on such terms and for such period as they may determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke any such appointment.

(ix) **Ceasing to be a Director**

The appointment of any Director to the office of chairman or deputy chairman, or chief executive or managing or joint managing or deputy or assistant managing director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

The appointment of any Director to any other executive office shall not automatically determine if he ceases from any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

(x) **Powers of executive Directors**

The Board may entrust to and confer upon any Director holding any executive office any of the powers exercisable by them as Directors upon, such terms and conditions and with such restrictions as they think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any such powers.

(i) *Appointment and retirement of Directors*

(i) **Power of Company to appoint directors**

The Company may by ordinary resolution appoint any person to be a Director either to fill a vacancy or as an addition to the Board, but the number of Directors shall not exceed ten. Without prejudice to the power of the Company in general meeting pursuant to any of the provisions of the Articles to appoint any person to be a director, the Board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles. Any director so appointed must retire from office at, or at the end of, the next following annual general meeting and will then be eligible to stand for election but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting.

(ii) **Retirement and retirement by rotation**

At each annual general meeting one third of the Directors for the time being (or if their number is not three or a multiple of three then the number nearest to, but not greater than, one third) shall retire from office by rotation, provided always that all directors must be subject to re-election at intervals of no more than three years.

A retiring Director shall be eligible for re-election.

(iii) **Re-election of retiring directors**

The Company may by ordinary resolution fill the office being vacated by electing to the position the retiring Director or some other person eligible for election. If no such person is elected to that office the retiring Director shall be deemed to have been re-elected except where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost, where such Director has given notice in writing to the Company that he is unwilling to be re-elected, or where the default is due to the moving of a resolution which has first been agreed to by the meeting without any vote being given against it.

(iv) **Nomination of director for election**

No person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless, not less than seven nor more than forty-two days before the day appointed for the meeting, there shall have been left at the office notice in writing, signed by a member duly qualified to attend and vote at such meeting, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

(v) **Vacation of office**

The office of a Director shall be vacated in any of the following events, namely if:

- (A) he shall become prohibited by law from acting as a director;
- (B) he shall resign by writing under his hand left at the office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer;
- (C) he becomes bankrupt or shall have a receiving order made against him or shall compound to make any arrangement with his creditors generally;
- (D) in England or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs;
- (E) he is absent from meetings of the Directors for six months without special leave of absence approved by a resolution of the Directors, and the Directors resolve that his office be vacated; or
- (F) notice stating he is removed from office as Director is served on him signed by all of his co-directors.

(vi) **Removal of director**

In addition to and without prejudice to the provisions of the Act the Company may by an ordinary resolution, of which special notice has been given, remove any Director before the expiration of his period of office (notwithstanding anything in the Articles or in any agreement between the Company and such Director), and may appoint another person in his stead. The person so appointed shall be treated for the purpose of

determining the time at which he or any other Director is to retire as if he had become a Director on the day on which the Director in whose place he is appointed was last appointed a Director.

(j) *Meetings and proceedings of Directors*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit, and determine the quorum necessary for the transaction of business. Until otherwise determined two Directors shall constitute a quorum. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes the chairman shall have a second or casting vote.

(k) *Borrowing powers*

Subject as hereinafter provided the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking property and uncalled capital to issue debentures and other securities whether outright or as collateral security for any debt liability or obligation of the Company or of any third party.

(l) *Shares*

**Conversion of Convertible Preference Shares**

(i) Date of Conversion

Any holder of Convertible Preference Shares shall be entitled, by notice in writing to the Company, to require conversion into Ordinary Shares of all of the Convertible Preference Shares held by him at any time and those Convertible Preference Shares shall convert automatically either on such date (being not less than ten Business Days nor more than 30 Business Days following the service of such notice) as the holder shall specify in such notice; or in the absence of the holder specifying a date in such notice, on the tenth Business Day following the date of service of such notice (the "Conversion Date").

On the Conversion Date, the relevant Convertible Preference Shares shall without further authority than is contained in the Articles stand converted into Ordinary Shares on the basis of 2.96 Ordinary Shares (rounded down to the nearest whole number of Ordinary Shares) for each Convertible Preference Share held and the Ordinary Shares resulting from that conversion shall in all other respects rank *pari passu* with the existing issued Ordinary Shares.

On the Conversion Date (or as soon afterwards as it is possible to calculate the amount payable), the Company will, if it has sufficient Available Profits, pay to holders of the Convertible Preference Shares falling to be converted a dividend equal to all Arrears and accruals of dividends in relation to those Convertible Preference Shares to be calculated on a daily basis down to and including the day immediately preceding the Conversion Date. If the Company has insufficient available profits to pay all such arrears and accruals of dividends in full then it will pay the same to the extent that it is lawfully able to do so and any Arrears and accruals of dividends that remain outstanding shall continue to be at debt due from and immediately payable by the Company.

(ii) Adjustment Mechanism

If, whilst any Convertible Preference Shares remain capable of being converted into Ordinary Shares, the Company shall make any allotment of shares only to holders of Ordinary Shares by way of capitalisation of profits or reserves (references to which in this include any share premium account and capital redemption reserve) then the number of Ordinary Shares to be created on any subsequent conversion of Convertible Preference Shares shall be increased so that the number of Ordinary Shares into which Convertible Preference Shares shall subsequently convert shall be equal to the number of Ordinary

Shares which each holder of Convertible Preference Shares would have held following such capitalisation allotment if all its Convertible Preference Shares had been converted immediately prior to the record date for, and had accordingly ranked for, such capitalisation allotment or in such other manner as the Company. In the event of any dispute as to the adjustment to be made, such dispute shall be referred to the auditors for their written determination as being in their opinion fair and reasonable, which shall be conclusive and binding on all concerned. No adjustments shall be made in the event of the allotment of Ordinary Shares by way of capitalisation of profits or reserves in lieu of cash dividends being offered to all shareholders in accordance with their dividend rights.

If whilst any Convertible Preference Shares remain capable of being converted into Ordinary Shares, the Company's issued share capital is increased or reduced (otherwise than by way of an allotment of shares by way of capitalisation of profits or reserves or pursuant to an Employee Share Option Scheme), then the number of Ordinary Shares to be created on any subsequent conversion of Convertible Preference Shares shall be adjusted in such manner as the Auditors (acting as experts and not arbitrators, and at the cost of the Company) shall in writing determine as being in their opinion fair and reasonable, which determination shall be conclusive and binding on all concerned.

### **Deferred Shares**

To the extent that the nominal value of the Ordinary Shares into which the Convertible Preference Shares are converted at any time is less than the nominal value of the shares being so converted, the balance of the nominal share capital shall be converted at par into Deferred Shares.

The rights attaching to the Deferred Shares shall be as follows:

- (a) the holders of Deferred Shares shall have no right to receive notice of or to attend or vote at any general meeting of the Company;
- (b) the holders of Deferred Shares shall not be entitled to receive certificates in respect of the Deferred Shares held by them;
- (c) the holders of Deferred Shares shall have no right to receive any dividend or other distribution in respect of income;
- (d) the holders of Deferred Shares shall, on a return of capital in a liquidation but not otherwise, be entitled to receive only the amount paid up on each share but only after the holder of each Convertible Preference Share and Ordinary Share in issue shall have received £10,000,000 per share and the holders of Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company; and
- (e) the creation or issue of Deferred Shares shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute or give on behalf of the holder of such shares a transfer thereof and/or a consent to the cancellation of the same and/or an agreement to transfer the same to such person or persons as the Company may determine as custodian thereof and/or purchase the same in accordance with the Act in any such case for not more than 1 penny for all the Deferred Shares then in issue without obtaining the sanction of such holder or holders and pending such transfer and/or purchase to retain the certificates (if any) in respect thereof.

### **15. Variation of Shareholder rights**

The rights attaching to shares in the Company are set out in its Articles and summarised above. For these rights to be varied or changed would require consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a general meeting of the Company to be convened. This would require 21 days written notice for

an AGM or 14 days written notice for any other general meeting to be given to each holder of shares of the relevant class. Each shareholder would have the right to attend the general meeting in person or by proxy and vote on the resolution to be proposed and would require a majority of not less than three-quarters of shareholders voting in person or by proxy at such general meeting.

## **16. Shareholder meetings**

The Company must in each year hold a general meeting as its annual general meeting (or “AGM”) within 6 months of its accounting reference date. An AGM must be convened, unless all shareholders entitled to attend and vote agree to short notice, on giving 21 days’ notice in writing to the members of the Company.

Other meetings can be convened by the Company from time to time referred to as general meetings (or “GMs”). The length of written notice to convene such a meeting varies depending on the nature of the business to be transacted. If the meeting is for the passing of a resolution other than one requiring special notice, then 14 days’ written notice to convene the GM is required. If the meeting is for the passing of a resolution which requires special notice, then 28 days’ notice must be given.

General meetings other than the AGM, can be convened on shorter notice with the agreement of shareholders being a majority in number and holding not less than 95 per cent. in nominal value of the shares giving a right to attend and vote at the meeting.

AGMs can be convened on shorter notice with the agreement of all shareholders entitled to attend and vote at that AGM.

Shareholders need not attend a meeting of the Company in person but can do so by way of a validly appointed proxy. Proxies are appointed in accordance with the Articles. In essence, to be validly appointed, details of the proxy must be lodged at the Company’s registered office no later than 48 hours before the commencement of the relevant meeting. Failure to lodge details of the appointed proxy in accordance with the Articles will result in the proxy not being treated as valid.

## **17. United Kingdom taxation**

The Board has been advised as follows, on the basis of United Kingdom law presently in force and current published HM Revenue & Customs practice. The following paragraphs summarise certain limited aspects of the UK taxation consequences of acceptance of the Offer and they relate only to the position of certain classes of taxpayer and only those Sagentia Switzerland Shareholders who hold their Sagentia Switzerland Shares beneficially as an investment, otherwise than under a personal equity plan or an individual savings account, and who are resident or ordinarily resident in the UK for taxation purposes. If you are in any doubt as to your taxation position or if you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser immediately.

### **(a) UK taxation of chargeable gains (“CGT”)**

Liability to UK taxation of chargeable gains will depend on the individual circumstances of the Sagentia Switzerland Shareholders.

#### *Rollover*

- Sagentia has sought and obtained clearance from HM Revenue & Customs under section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Offer. A Sagentia Switzerland Shareholder should not be treated as having made a disposal of his or her Sagentia Switzerland Shares for the purposes of UK taxation of chargeable gains to the extent that he or she receives New Sagentia Shares in exchange for his or her Sagentia Switzerland Shares under the Offer. Any gain or loss which would otherwise have arisen on a disposal of his or her Sagentia Switzerland Shares will be “rolled-over” into the New Sagentia Shares, and the New Sagentia Shares will be treated as the same asset as his or her Sagentia Switzerland Shares acquired at the same time and for the same consideration as he or she acquired their Sagentia Switzerland Shares.

- A Sagentia Switzerland Shareholder which is a company and which would on a disposal of its Sagentia Switzerland Shares qualify for an exemption from corporation tax on chargeable gains under Schedule 7AC TCGA 1992 (exemption for disposals by companies with substantial shareholdings) shall not be treated as set out in the preceding paragraph. Instead, such a shareholder shall be treated as disposing of its Sagentia Switzerland Shares as a result of the Offer becoming or being declared unconditional but any gain or loss arising on the disposal will not be a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains and the shareholder shall be treated as acquiring its New Sagentia Shares for an amount equal to the market value of the Sagentia Switzerland Shares given up.
- A subsequent disposal of New Sagentia Shares by a shareholder who is resident or ordinarily resident in the UK for taxation purposes may, depending on the shareholder's circumstances, and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

(b) ***Taxation of dividends***

Sagentia is not required to withhold tax at source from dividends paid in respect of its shares.

Individuals resident in the UK for taxation purposes are generally liable to income tax on the aggregate amount of any dividend received and a tax credit equal to 10 per cent. of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90 the tax credit would be £10, and an individual would be liable to income tax in respect of the gross dividend of £100. UK resident individuals who are liable to income tax at a rate less than the higher rate (currently 40 per cent.) will be charged to tax on the gross dividend at the rate of 10 per cent. Accordingly, the tax credit is treated as satisfying the shareholder's income tax liability in respect of the dividend and no further income tax should be payable in respect of the dividend. UK resident individuals who are liable to income tax at the higher rate will be charged to tax on the gross dividend at the rate applicable to dividends (currently 32.5 per cent.) but are entitled to offset the 10 per cent. tax credit against such liability. After taking into account the 10 per cent. tax credit such an individual will be liable to pay additional income tax at the rate of 22.5 per cent. of the gross dividend (which is equivalent to 25 per cent. of the dividend received). For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent. of the gross dividend less the 10 per cent. credit). For this purpose, dividends are treated as the top slice of an individual's income such that they are liable to tax at the individual's highest marginal tax rate. No repayment of the tax credit in respect of dividends can be claimed by a UK resident Shareholder.

UK resident corporate new Sagentia Shareholders (other than dealers in securities and certain insurance companies) are not liable to corporation tax or income tax in respect of dividends paid by Sagentia.

Shareholders who are resident for tax purposes in countries other than the United Kingdom may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such shareholders should consult their own tax advisers concerning their tax liabilities.

(c) ***Other direct tax matters***

Special tax provisions may apply to Sagentia Switzerland Shareholders who have acquired or acquire their Sagentia Switzerland Shares by exercising options or other rights, or on the vesting of rights, under the Sagentia Switzerland Share Option Schemes including provisions imposing a charge to income tax when such an option is exercised or right vests.

(d) ***Stamp duty and stamp duty reserve tax ("SDRT")***

No stamp duty or SDRT will be payable by Sagentia Switzerland Shareholders as a result of accepting the Offer.



The above statements are intended as a general guide to the current law and published practice in the United Kingdom. The above statements assume that Sagentia Switzerland Shareholders do not hold their Sagentia Switzerland Shares and will not hold their Sagentia Shares in a depositary receipt scheme or a clearance services scheme. If you are in any doubt as to your tax position, you should consult your independent professional adviser immediately.

## **18. Overseas Shareholders**

As regards persons resident in, or citizens of, jurisdictions outside the United Kingdom (“Overseas Shareholders”), the Offer may be affected by the laws of the relevant jurisdictions. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of Overseas Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Offer, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction. This document has been prepared for the purposes of complying with English law, the AIM Rules for Companies and the Prospectus Rules and the information disclosed may be different from that which would have been disclosed if this document had been prepared in accordance with the laws of the jurisdictions outside the United Kingdom.

## **19. Change of control**

There are no provisions in the Company’s Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

## **20. Disclosure of interests in Ordinary Shares**

The Articles state that a Shareholder must make a disclosure of its interest in “Specified Shares” and the Board may serve a “Restriction Notice” that the shareholder is not entitled to attend or vote or count in a quorum with respect to such shares, shall not be entitled to a dividend or a transfer of such shares will not be effective.

UK law makes provision regarding disclosure of interests in shares. Where a person has material interests in shares where the aggregate nominal value of such shares is equal to or more than 3 per cent. of the nominal value of the Company’s share capital then the person has an obligation to disclose such interest. A similar obligation arises where a person has any interest whatsoever in shares representing in aggregate 10 per cent. of the nominal value of the Company’s share capital.

Where a person’s notifiable interest changes, then further disclosure obligations arise.

## **21. Change in share capital**

There are no conditions imposed by the Memorandum or Articles regarding changes in the Company’s capital which are more stringent than required by the laws of England and Wales.

## **22. Related party transactions**

- 22.1 Sagentia has not been party to any related party transactions since the date of its incorporation.
- 22.2 The Existing Sagentia Group has provided support, IT and consultancy services to associated undertakings and made loans as follows:

<i>Year</i>	2007	2006	2005	2007	2006	2005
<i>Transaction Type</i>	<i>Loans</i>	<i>Loans</i>	<i>Loans</i>	<i>Sale of goods and services</i>	<i>Sale of goods and services</i>	<i>Sale of goods and services</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
3D Molecular Science Ltd	–	241	–	–	–	–
Flying Null Ltd	833	833	839	–	–	35
Sensopad Ltd	979	910	571	129	54	62
FD Technologies GmbH	160	160	158	–	–	–
Atranova™ Limited	494	–	–	47	–	–
<b>Total</b>	<b>2,466</b>	<b>1,903</b>	<b>1,809</b>	<b>176</b>	<b>54</b>	<b>97</b>

There have been no transactions between Sagentia Switzerland and Catella Holdings AB or Catella AG.

### 23. Material Contracts

23.1 Save as disclosed below there are no contracts (not being contracts entered into in the ordinary course of business) which were either (i) entered into by any member of the Existing Sagentia Group within the period of two years immediately preceding the date of this document and are, or may be, material or (ii) entered into by any member of the Existing Sagentia Group and contain any provision under which any member of the Existing Sagentia Group has any obligation or entitlement which is material to the Existing Sagentia Group at the date of this document:

(a) In 2000, Sagentia Switzerland entered into a relationship agreement with Catella and Stichting Catella to regulate certain aspects of the continuing relationship between Sagentia Switzerland and Catella. On Admission, this agreement will terminate and a corresponding agreement with Sagentia will come into force on materially the same terms, which are summarised at paragraph 23.2(c) below.

(b) *Bank facilities*

In March 2006 the Existing Sagentia Group agreed a five year bank loan facility of up to £9 million, and Sagentia Ltd agreed an annual revolving overdraft facility of up to £2 million, with Lloyds TSB Bank plc. The Sagentia Ltd facility was renewed for a further year in January 2007. At 31 December 2007, £6,813,000 had been drawn down on the Sagentia Holding facility, and £765,000 had been drawn down on the Sagentia facility. At 31 March 2008, £7,750,000 had been drawn down on the Existing Sagentia Group facility, and £440,000 was on deposit with the Sagentia Ltd account at Lloyds TSB account.

(c) Sagentia Switzerland is a party to the introduction agreement as summarised in paragraph 23.2(a) below.

23.2 Save as disclosed below there are no contracts (not being contracts entered into in the ordinary course of business) which were either (i) entered into by Sagentia within the period of two years immediately preceding the date of this document and are, or may be, material or (ii) entered into by Sagentia and contain any provision under which Sagentia has any obligation or entitlement which is material to Sagentia at the date of this document:

(a) An introduction agreement dated 11 June 2008 and entered into between the Company, Sagentia Switzerland and Arbuthnot whereby Arbuthnot has agreed to assist the Company in connection with its application for Admission.

The Company and Sagentia Switzerland have given certain warranties to Arbuthnot concerning, *inter alia*, the contents of this document. In addition, the Company and Sagentia

Switzerland have given to Arbuthnot an indemnity in connection with any claims that might be brought against Arbuthnot arising from it carrying out its services in connection with the application for Admission.

The Introduction Agreement may be terminated by Arbuthnot prior to Admission in certain circumstances including a material breach of its terms or a material breach of the warranties given to Arbuthnot. Arbuthnot will receive a fee for its services in connection with Admission.

The introduction agreement provides that the Company may not waive the conditions of the Offer as to acceptances or Admission without the consent of Arbuthnot.

Arbuthnot's obligations under the Introduction Agreement are conditional upon Admission occurring on or before 8 July 2008 (or such later date as Arbuthnot and Sagentia may agree), such date to be no later than 31 August 2008. Accordingly, if Admission does not occur and the Offer does not therefore become wholly conditional on or before such dates, unless Arbuthnot and the Company otherwise agree the Introduction Agreement will terminate and Admission will not occur.

- (b) A nominated adviser and broker agreement dated 5 June 2008 between Sagentia (1), Arbuthnot (2) and the Directors (3) pursuant to which the Company has appointed Arbuthnot to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies. Under the agreement, Arbuthnot has agreed to provide such advice and guidance to the Directors as to their responsibilities and obligations to ensure compliance by the Company on an ongoing basis with the AIM Rules for Companies. As the Company's broker, Arbuthnot has agreed to provide information to the market and to use its reasonable endeavours to find matching business in the Company's shares. The Company has undertaken, among other things, to inform and consult Arbuthnot in respect of any relevant transactions, dealings and announcements in order that Arbuthnot may fulfil its responsibilities to the London Stock Exchange as nominated adviser and broker. The agreement can be terminated, *inter alia*, by the Company or Arbuthnot on 30 days' written notice at any time following twelve months from the date of the agreement. The agreement contains certain indemnities by the Company to Arbuthnot.
- (c) A relationship agreement dated 11 June 2008, between Sagentia, Catella, and Catella Holding AB ("Catella Holding"), pursuant to which the parties have agreed to regulate certain aspects of the continuing relationship between Sagentia, Catella and Catella Holding. This agreement shall, with effect from Admission, replace the relationship agreement between Sagentia Switzerland, Catella and Stichting Catella referred to in paragraph 23.1(a) above, and provides *inter alia* that, conditional upon Admission occurring by 30 September 2008, for so long as Catella controls more than 30 per cent. of the issued ordinary share capital of the Company:
- Catella and Catella Holding agree that the Company must be capable of operating independently of them and that all transactions and relationships between the Company and either of them must be at arm's length and on a normal commercial basis;
  - Catella shall exercise its voting rights so as to ensure that the relationship agreement is implemented and that the independence of the Sagentia Board is maintained;
  - transactions or disputes between Catella and/or Catella Holding and the New Sagentia Group shall be considered by an independent committee of the Sagentia Board and Catella will not exercise its voting rights in respect of any resolution which relates to a transaction with it;
  - Catella will not requisition a general meeting of the Company for the purpose of proposing a resolution to remove any director of the Company;
  - Catella and Catella Holding will not undertake any activity in conflict with the Company's activities to an extent which would render the Company unsuitable for Admission or continued admission to AIM;

- if the Company is presented with an investment opportunity which would or may also be suitable for Catella or Catella Holding, any decision as to whether the Company shall pursue such opportunity shall be considered by an independent committee of the Board; and
- if in respect of any proposed transaction or matter involving the Company and Catella or Catella Holding it appears to the independent Directors that a conflict of interest has arisen or might arise in respect of the transaction or matter, the independent Directors alone shall determine any action which the Company should take in relation to it.

#### 24. Irrevocable Undertakings

The following shareholders of Sagentia Switzerland have undertaken to Sagentia irrevocably to accept or procure the acceptance of the Offer in respect of the number of Sagentia Switzerland Shares shown against their respective names below:

(a) <i>Name</i>	<i>Sagentia Switzerland Shares</i>
Catella (Switzerland) AG	105,120,800
Herald Investment Management Limited	13,874,192
Christopher Masters	1,000,000
Alistair Brown	225,000
Guy McCarthy	206,207
Lars Kylberg	346,544
Johann Björklund	1,470,510
Gordon Edge	11,648,000
Martin Forster	2,099,400
Markus Rauh	295,200
Martin Frost	595,463
Existing Sagentia Group EBT	42,100

#### 25. Further Information

- (a) There has been no significant change in the financial or trading position of Sagentia since the date of its incorporation or of the Existing Sagentia Group since 31 December 2007 being the end of the last financial period for which audited financial information has been prepared.
- (b) Application will be made to the London Stock Exchange for the Sagentia Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in those of the New Sagentia Shares issued in respect of valid acceptances of the Offer received at such time as the Offer is declared unconditional in all respects (save for Admission) on the first business day following the day on which the Offer becomes or is declared unconditional in all respects (save only for the Admission).
- (c) Full acceptance of the Offer, assuming no exercise of options under the Sagentia Switzerland Share Option Schemes before the Offer closes, would result in the issue of approximately 215,596,573 New Sagentia Shares, representing together with the two existing Sagentia Shares 100 per cent. of the Sagentia Issued Share Capital.
- (d) Arbuthnot has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and the reference to its name in the form and context in which they appear.
- (e) Save for the remuneration payable in respect of its role as auditor and tax adviser to the Company and for the fees payable for such reports, Grant Thornton does not have a material interest in the Company.
- (f) All share prices are derived from the Daily Official List in respect of Sagentia Switzerland Shares.
- (g) All references to time in this document and in the Form of Acceptance and Assignment are to London time unless the context provides otherwise.

- (h) Arbuthnot is acting as financial adviser and broker to Sagentia Switzerland and as financial adviser to Sagentia and will be acting, following Admission, as Nominated Adviser and broker to Sagentia.
- (i) The Existing Sagentia Group's, and, after completion of the Acquisition, the New Sagentia Group's, activities are not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes.

## **26. General**

- (a) The expenses relating to the Offer and Admission and issue of New Ordinary Shares pursuant thereto which, assuming the Offer becomes wholly unconditional, are payable by Sagentia, are estimated to amount to approximately £600,000 (excluding value added tax).
- (b) Save pursuant to the Offer, no New Sagentia Shares are being offered to the public.
- (c) The New Sagentia Shares will be allotted and, in the case of those New Sagentia Shares in certificated form, certificates posted by first class post to accepting Sagentia Switzerland Shareholders within 14 days of the date the Offer becomes or is declared wholly unconditional.
- (d) Sagentia does not have any restriction on borrowings that may materially affect its operations under its memorandum of association.
- (e) Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, insofar as the Company is aware and is able to ascertain from information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- (f) The New Sagentia Shares will be issued in registered form, will be freely transferable and will rank *pari passu* amongst themselves for all dividends and other distributions which may be declared, paid or made by the Companies. All of the New Sagentia Shares, which will be issued pursuant to the provisions of the Act and the Articles, will have equal voting rights.

### ***Restrictions on transferability of Ordinary Shares***

There are no restrictions on the transferability of the existing Sagentia Shares or the New Sagentia Shares.

### ***Takeover bids and rights to acquire shares held by minority shareholders***

- (a) There are no mandatory takeover bids outstanding in respect of the Company or (save for the Offer) Sagentia Switzerland and none have been made either in the last financial year or the current financial year of the Company or Sagentia Switzerland.
- (b) No public takeover bids have been made by third parties in respect of either the Company's issued share capital or (save for the Offer) Sagentia Switzerland's issued share capital in the current financial year nor in the last financial year (being the year ended 31 December 2007).
- (c) If a "takeover offer" is made for Sagentia and the offeror, by virtue of acceptances of such offer, acquires or contracts to acquire not less than nine-tenths in value of the shares of any class to which the offer relates, then the offeror, would have the right to acquire compulsorily the remaining shares of the minority shareholders for the offer price within a fixed period. In such circumstances, the minority shareholders also have the right to require the offeror to buy their shares at the relevant offer price within a fixed period.

## **27. Documents available for inspection**

Copies of the following documents may be inspected, during normal business hours on working days, at the offices of Taylor Wessing LLP, Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX while the Offer remains open for acceptance:

1. the memorandum and articles of association of Sagentia;

2. annual report and accounts for the Existing Sagentia Group for the three years ended 31 December 2007;
3. the irrevocable undertakings to accept the Offer referred to in paragraph 5 of Part I of this document above;
4. the service agreements/letters of appointment of the Directors referred to in paragraph 8 above;
5. the material contracts referred to in paragraph 23 above;
6. the written consent referred to in paragraph 25(d) above; and
7. this document and the Offer Document.

11 June 2008

## PART VI

### Definitions

In this document the following terms and expressions have the following meanings unless the context requires otherwise:

“Act” or “Companies Act”	means the Companies Act 1985, as amended and to the extent in force, and/or as applicable, the Companies Act 2006, to the extent in force;
“Admission”	means admission of those New Sagentia Shares to be issued pursuant to the Offer in respect of acceptances received at the date when the Offer is declared unconditional in all respects (save for such admission) and the existing Sagentia Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“AGM”	means an annual general meeting of the Company;
“AIM”	means the AIM market operated by the London Stock Exchange;
“AIM Rules for Companies”	means the rules of the London Stock Exchange governing the admission to and operation of AIM;
“Acquisition”	means the proposed acquisition of shares in Sagentia Switzerland pursuant to the Offer;
“Arbuthnot”	means Arbuthnot Securities Limited;
“Articles”	means the articles of association of the Company, a summary of which is set out in paragraph 14 of Part V of this document;
“Australia”	means the Commonwealth of Australia, its states, territories and all areas subject to its jurisdiction or any political subdivision of it;
“Board” or “Directors”	means the directors of the Company or Sagentia Switzerland as applicable;
“Business Day”	means a day on which the London Stock Exchange is open for the transaction of business;
“Canada”	means Canada, its provinces and territories and all areas subject to its jurisdiction or any political subdivision of it;
“Catella”	means Catella (Switzerland) AG;
“Certificated” or in “Certificated Form”	means a share or security which is not in uncertificated form;
“CHF”	means Swiss Francs;
“City Code”	means the City Code on Takeovers and Mergers;
“Closing Price”	means the middle market quotation for the Sagentia Switzerland shares of 4.88 pence at 10 June 2008 being the last practicable Business Day prior to the day of announcement;

“Combined Code”	means the Combined Code on Corporate Governance appended to but not forming part of the FSA’s Listing Rules published in June 2006 by the Financial Reporting Council;
“Convertible Preference Shares”	means the 50,000 non-voting, non-redeemable convertible preference shares of £1 each in the capital of the Company;
“CREST”	means the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the operator in accordance with which securities may be held and transferred in uncertificated form;
“Daily Official List”	means the Daily Official List of the London Stock Exchange;
“EBT”	means the employee benefit trust established for the benefit of the employees of the Existing Sagentia Group;
“EEA States”	means the states which are contracting parties to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being (such states being at the date of this document Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom);
“Equiniti”	means Equiniti Limited plc who will be the registrars of the Company;
“Euroclear”	means CRESTCo Limited;
“Existing Sagentia Group” or “Existing Group”	means Sagentia Switzerland and its subsidiary undertakings and/or (where the context requires) any/one or more of them;
“Existing Sagentia Group Board”	means the directors of Sagentia Switzerland as at the date of this document
“First Closing Date”	means the first closing date of the Offer, being 3.00 p.m. on 2 July 2008;
“Form of Acceptance and Assignment”	means the Form of Acceptance and Assignment and authority relating to the Offer;
“FSA”	means the Financial Services Authority, acting in its capacity as competent authority in the United Kingdom pursuant to Part VI of FSMA;
“FSMA”	means Financial Services and Markets Act 2000 (as amended);
“GBP”, “£” or “UK£”	means UK pound sterling;
“HK\$”	means Hong Kong dollars;
“IFRS”	means International Financial Reporting Standards;
“IP”	means intellectual property;
“Japan”	means Japan, its provinces and territories and all areas subject to its jurisdiction or any political subdivision of it;
“Listing Rules”	means the rules and regulations made by the UKLA under Part VI of FSMA (as amended);
“London Stock Exchange”	means London Stock Exchange plc;



“Memorandum”	means the memorandum of association of the Company, a brief summary of which is set out in paragraph 14 of Part V of this document;
“New Sagentia Shares”	means up to 23,193,210 new Ordinary Shares to be issued by the Company as consideration pursuant to the Offer;
“New Sagentia Group”	means, prior to the completion of the Acquisition, Sagentia and, following completion of the Acquisition, Sagentia and its subsidiary undertakings;
“Offer Document”	means the document sent to Sagentia Switzerland Shareholders on 11 June 2008 containing the Offer;
“Offer Price”	means one Ordinary Share for every ten Sagentia Switzerland Shares;
“Offer”	means the offer made by Sagentia to acquire the whole of the issued and to be issued share capital of Sagentia Switzerland (including for the avoidance of doubt, shares held in treasury) and, where the context so requires, any subsequent revision, variation, extension or renewal thereof;
“Official List”	means the Official List of the UKLA;
“Ordinary Shares” or “Sagentia Shares”	means ordinary shares of 1p each in the capital of the Company, with ISIN: GB00B39GTJ17;
“Overseas Shareholders”	has the meaning set out in paragraph 4 of Section B of Part IV of this document;
“Panel” or “Takeover Panel”	means The Panel of Takeovers and Mergers;
“Prospectus Rules”	means the rules made by the FSA pursuant to section 84(1) of FSMA for the purposes of Part VI of FSMA in relation to offers of securities to the public;
“Proposals”	means the Offer, cancellation of Sagentia Switzerland’s listing from the Official List and Admission of Sagentia Shares to trading on AIM;
“Registered Office”	means the registered office of the Company;
“Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Regulatory Information Service”	means any of the services set out in Appendix 3 to the Listing Rules;
“Restricted Jurisdiction”	means the United States, Canada, Australia, South Africa or Japan;
“Sagentia” or the “Company”	means Sagentia Group plc;
“Sagentia Board”	means the directors of Sagentia on Admission as set out on page 10 of this document;
“Sagentia Directors”	means the Directors of Sagentia;
“Sagentia Issued Share Capital”	means the issued ordinary share capital of Sagentia as enlarged by the issue of the New Sagentia Shares (assuming full

	acceptance of the Offer and without taking into account any shares to be issued on the exercise of options under the Sagentia Switzerland Share Option Schemes);
“Sagentia Shareholders” or “Shareholders”	means holders of Sagentia Shares;
“Sagentia Switzerland”	means Sagentia Group AG;
“Sagentia Switzerland CDIs” or “CDIs”	means CREST Depository Interests relating to Sagentia Switzerland Shares;
“Sagentia Switzerland Directors”	means the directors of Sagentia Switzerland;
“Sagentia Switzerland Options”	means options granted under the Sagentia Switzerland Share Option Schemes;
“Sagentia Switzerland Option holders”	means holders of any Sagentia Switzerland Options;
“Sagentia Switzerland Shareholders”	means holders of Sagentia Switzerland Shares;
“Sagentia Switzerland Share Option Schemes”	means together the Sagentia Switzerland ESOP, Sagentia Switzerland Unapproved Executive Share Option Scheme, Sagentia Switzerland Unapproved Non-Executive Share Option Scheme and Sagentia Switzerland EMI Scheme;
“Sagentia Switzerland Shares”	means the existing unconditionally allotted or issued and fully paid ordinary shares of CHF0.1 each in the capital of Sagentia Switzerland and any further such shares which may be issued or unconditionally allotted and fully paid prior to the time and date on which the Offer closes or by such earlier date and time as Sagentia may decide;
“South Africa”	means South Africa, its provinces and territories and all areas subject to its jurisdiction or any political subdivision of it;
“Subsidiary” or “Subsidiaries”	means a subsidiary undertaking (as defined by section 258 of the Companies Act);
“Substantial Interest”	means a direct or indirect interest in 20 per cent. or more of the voting or equity capital (or equivalent) of an undertaking;
“UK” or “United Kingdom”	means the United Kingdom of Great Britain and Northern Ireland;
“UKLA”	means the Financial Services Authority, acting as UK Listing Authority;
“United States”	means the United States of America, its territories and possessions, any states of the United States and the District of Columbia;
“US\$”	means United States dollars;
“US Securities Act”	means the United States Securities Act 1993, as amended; and
“VAT”	means value added tax.



