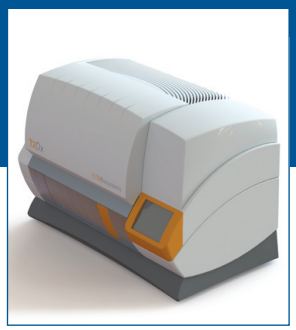
2011



Annual Report and Financial Statements

SAGENTIA GROUP PLC

Contents

About Sagentia Group plc

Sagentia Group plc is an international technology consulting company providing outsourced R&D consulting services from market analysis, through product development to transfer-to-manufacturing.

Sagentia delivers science and technology solutions to the Medical and Commercial sectors from its headquarters in Harston, near Cambridge, UK, with a sales and support office in Cambridge, Massachusetts, USA.

Sagentia customers are diverse including some of the world's largest corporations but extend in size down to well-financed start-up companies across a wide range of industries and geographical locations.

Sagentia markets

Medical
Sagentia delivers innovative product developments and related services for a wide range of medical applications, including point of care diagnostics, surgical devices and patient care.

Commercial
Sagentia delivers market needs analysis and product development services to a diverse customer base across Consumer and Industrial market sectors.

Front end needs and market analysis

Concept generation and technology invention

Technology and product development

Delivery and transfer to manufacture

Needs identification
Voice of the customer research
Market analysis
Technology scouting & ideation
IP strategy
Technical due diligence
Concept visioning
Human factors & usability
Technology creation
Realisation & testing
Monitoring
Product cost reduction
Technology & product assessment
Proof of principle demonstrators
Detailed design
Prototyping
Full development
Supplier due diligence
Scale up
Transfer to manufacture
Manufacturing support & troubleshooting

Chairman's Statement

Over the past year Sagentia has continued to build on the turnaround achieved in 2010 and has delivered a very satisfactory performance. Despite the deteriorating macro-economic environment in the year, revenue increased by 13.2% to £23.6 million and profit before tax from continuing operations increased by 55.5% to £3.3 million, representing a margin of 14.2% (2010: 10.3%). With considerable tax losses carried forward, the Group has minimal tax liabilities and the net profit from continuing operations in 2011 was £3.3 million (2010: £2.3 million).

The Group balance sheet continues to be very strong with Shareholders Funds of £26.4 million (2010: £22.8 million), approximately equal to the sum of the Group's cash balances and the carrying value of the Group's freehold property in Harston, near Cambridge net of the associated bank loan. Cash conversion has been good and all minority investments to which the Board attributed any value have now been realised. As a result, cash balance at 31 December 2011 was £21.2 million (2010: £16.4 million) and net funds were £14.1 million (2010: £8.6 million).

Operating profit in 2011 increased by 53.6% to £3.9 million and operating margins increased to 16.6% (2010: 12.2%) which, for a technology consultancy business of Sagentia's size, the Board considers to be towards the upper end for a balanced performance/investment profile. The Board is committed to balancing operating margin and investment in order that the Group's performance is sustainable and shareholder value is enhanced over the medium term.

Good progress has also been made on the Board's strategic initiatives during the year. Historically, Sagentia undertook the vast majority of work on a fixed price basis with corresponding risk but, through an active transition programme over the past two years, approximately 90% of client projects are now undertaken on a time-and-materials basis, substantially de-risking the profile of the Group. Furthermore, the Board has also been evolving the Group from a project-oriented consultancy to becoming a more strategic partner with its major customers, resulting in a reduced number of customers but at a greater average revenue per customer. This strategy was further reinforced in September when Sagentia announced a $10 million multi-year contract with a large US consumer products company to provide outsourced R&D consultancy and product development services.

The Board has also continued to simplify the corporate and operational structure of the Group. Sagentia Group AG, the legacy Swiss holding company, and Catella AB, the former Swedish subsidiary, were liquidated during the year. This has resulted in a reported non-cash charge of £0.7 million in 2011 arising from these discontinued operations. The process of liquidating Sagentia GmbH, the Group's former German trading company, which has been dormant for some time, has also commenced following the transfer of historic pension obligations to a third party insurer in December 2011. Sensopad Limited has also been dissolved and, in early 2012 an application has been made to dissolve Sagentia Sensors Limited. In January 2011, the minority shareholdings in Manage5Nines Limited, the Group's IT services provider, were acquired and in June 2011, following a review of the Group's operation in Hong Kong, it was decided to close the facility and service clients from the UK.

In summary, 2011 has been a year of consolidating the turnaround undertaken in 2010 with very satisfactory progress being achieved. In the second half of the year, Sagentia experienced some effects from the deterioration in the macro-economic environment, particularly in the European market and in the Industrial sector. However, given the Group's greater exposure to North American markets and the Medical sector, the Board remains cautiously optimistic for 2012, although prudence in managing the business will be maintained.

Martyn Ratcliffe
Chairman

Chief Executive's Review

The successful turnaround in 2010 was consolidated over the past year with considerable progress made on the Group's strategic initiatives. The simplification of the organisation continued throughout 2011 with the acquisition of the minority shareholdings in Manage5Nines in January and then the closure of the Hong Kong operation in June. As the year progressed, it also became apparent that there was considerable overlap between the Consumer and Industrial sectors and it was decided to combine these business units into a single sector named Commercial.

Most consultants are managed through four skill groups (Science & Technology, Embedded Software, Mechanical Engineering and Design, and Innovation Technology Management) and are deployed onto projects as required, providing the Group with the benefits of scale, customers with the benefits of a breadth of science and engineering experience and Sagentia's employees with a diversity of technical challenges. Support functions (e.g. finance, HR, marketing and IT) are managed centrally to maximise the benefits of scale from shared resources.

As the Group's consultancy activities have transitioned to a time-and-materials model to reduce the risk profile of the business, a greater seasonality is inevitable since the second half of the year includes the major holiday periods (July, August, December). Furthermore, the second half of 2011 was impacted by the greater level of discounting associated with the Group's strategic account objective and the deterioration in the macro-economic environment.

Medical
The Group's Medical sector had a strong performance in 2011, reporting revenue growth of 25.7% to £14.0 million (2010: £11.2 million) and accounting for 68.0% of Group Core Business revenue (2010: 60.9%). The Medical sector typically undertakes large development projects for corporate or well-financed start-up organisations and accounted for the Group's top four customers by revenue in the year. These large projects provide Sagentia with greater demand visibility but do result in greater customer concentration. During the year, the Medical sector developed a number of innovative products and solutions for its customers and Sagentia's reputation in surgical robotics and diagnostic instrumentation in particular has continued to strengthen in areas where future demand is anticipated.

The global medical market is dominated by North American companies where there is substantial investment in the sector both within large corporates and within the venture capital community. As a result, in 2011, approximately 76% of the revenue of the Medical sector was derived from North America (2010: 55%). While the macro-economic environment in the second half of the year impacted some procurement decisions, the North American market has proven to be more resilient than Europe and this provides some confidence for 2012.

Commercial
Within the context of the difficult conditions in some areas of the market, the Group's Commercial sector had a satisfactory year in the underlying business with some good key account development. The Commercial business undertakes a wide variety of projects in Consumer and Industrial sectors, with typically a higher proportion of market analysis work than the Medical sector. While the average project size is significantly smaller than the Medical projects, the sector has strong customer relationships with considerable repeat business from a number of large international organisations. Furthermore, the multi-year, $10 million contract with a North American consumer products group was a major strategic achievement. In contrast to these positive developments, the Industrial sector was particularly weak during 2011, despite benefitting from a large one-off initial production order as part of a transition to manufacture programme in the first half of the year. As a result, the Commercial division reported a decline in revenue of 12.6% to £6.6 million (2010: £7.3 million), thereby accounting for 32.0% of the Group's Core Business revenue (2010: 39.1%).

The Commercial sector receives a high proportion of its business from large multi-national companies, many of which have been customers of Sagentia for a number of years. These customers are more evenly distributed between North America and Europe, and operate across a diversity of industries resulting in greater exposure, but also providing some resilience to the macro-economic environment.

Operations
Most of Sagentia's operations are based in Harston, near Cambridge, UK. The Group has a facility in Cambridge, Massachusetts, USA, to support the North American customer base which accounted for approximately 63% of the Group's Core Business revenues in 2011 (2010: 49%). Group headcount, excluding contract resources (approximately 27), at 31 December 2011 was 153, of which approximately 71% were fee-earning consultants (31 December 2010: 153 and approximately 10 contract resources).

Investment continues to be made in the Group's information management infrastructure, with the Group's new financial management system scheduled to go live in the coming months. The improvements in key account management and the focus on developing strategic relationships with Sagentia's customers, together with improved management reporting and more robust operational and financial processes, provide greater management visibility throughout both sales and project delivery phases of our customer relationships.

In summary, 2011 has been a very satisfactory year for Sagentia, exceeding the Board's financial expectations and delivering against the Group's strategic objectives. This continued success, together with the financial discipline and processes now well-established within Sagentia, provide a platform for the future, although the Board will remain cautious until the macro-economic environment stabilises.

Brent Hudson
Chief Executive

Financial Review

In the twelve months ended 31 December 2011, the Group generated revenue of £23.6 million (2010: £20.8 million), an increase of 13.2%. The operating margin in 2011 was 16.6% (2010: 12.2%) which produced operating profit of £3.9 million (2010: £2.5 million). Profit before tax from continuing operations increased by 55.5% to £3.3 million (2010: £2.2 million) and profit after tax from continuing operations was £3.3 million (2010: £2.3 million). Due to the significant tax losses carried forward in the UK and US subsidiaries (approximately £24.5 million at 31 December 2011; 2010: £27.1 million), the tax liabilities on profits are anticipated to be minimal. Based on the average number of shares in issue during the year, diluted earnings per share from continuing operations increased to 7.3 pence (2010: 6.8 pence).

The Group reports its results under two business segments (see Note 4). The 'Core Business' represents all revenues derived from R&D Consultancy (which in turn comprise R&D Consultancy Fees and project expenses recharged on R&D Consultancy projects) and revenues from product sales and licence income. The 'Other' segment comprises Fees and recharged project expenses derived from outsourced IT services (provided by Manage5Nines Limited) and property income. Revenue from Core Business activities grew by 14.3% to £20.9 million, compared with £18.3 million in 2010. The Core Business undertook work for a total of approximately 70 customers in the year of which the top five accounted for approximately 52% of revenue (2010: 39%) and the top ten approximately 67% (2010: 53%) in line with the increased focus on key account management. Revenue from Core Business operations includes materials used in projects recharged to customers of £1.8 million (2010: £1.5 million), and product and licence revenue of £1.1 million (2010 : £0.5 million), enhanced in the first half of the year by a relatively large one-off initial production order as a large European customer transitioned a development into manufacture.

Other revenue includes property income from sub-let space in the Harston Mill facility of £1.4 million (2010: £1.3 million). The Harston Mill property currently has a total of 12 tenants (2010: 12 tenants) with minimal current vacant space. Other revenue also includes IT Support (including materials) through Manage5Nines Limited totalling £1.3 million (2010: £1.2 million). Until 14 January 2011, Sagentia owned 80% of Manage5Nines Limited at which time Sagentia acquired the minority shareholding in the company in order to simplify the corporate structure.

All legacy investments to which the Board attributed value at the end of 2010 have now been sold. Two legacy investments were sold for an aggregate cash payment of £239,000 in early 2011 and the remaining minority shareholding was sold in December for £704,000. As a result of these disposals, a net charge to the income statement of £80,000 was incurred during the year.

The Group has a strong balance sheet with Shareholder Funds at 31 December 2011 of £26.4 million, equivalent to 63.1 pence per share (2010: Shareholder Funds of £22.7 million equivalent to 54.7 pence per share) including the Group's freehold property. The cash position was strengthened by both operating cash flow and the disposal of all residual investments to which the Board attributed value, such that gross cash at 31 December 2010 was £21.2 million (2010: £16.4 million) and net funds were £14.1 million (2010: £8.6 million), although it should be noted that the cash position is enhanced by seasonal factors, particularly management and employee bonus payments accrued in 2011 and payable in March 2012 and the final settlement of Sagentia GmbH pension obligations which occurred in January 2012. Net cash generated from operating activities was £4.7 million (2010: £3.4 million) and debtor days were 44 days (2010: 44 days). The loan balance of £7.0 million at 31 December 2011 (2010: £7.8 million) is secured on the freehold property and associated lease structure and, subject to a minimum cash balance, is not subject to covenants related to the operating performance of the Consultancy business.

During 2011 Sagentia Limited, a wholly owned subsidiary of Sagentia Group plc, declared a dividend of £8.0 million. Furthermore, as a result of the liquidation of Sagentia Group AG and Sagentia Catella AB during the year, Sagentia Group plc (the Company) was able to release intercompany provisions. The net effect of these transactions is to create distributable reserves in the Company of £10.9 million (2010: deficit of £1.1 million). It should be noted that the Company's reserves at 31 December 2011 are greater than consolidated Group reserves. The primary reason for the difference in results is due to historic accumulated losses in Sagentia Holdings Limited, a subsidiary of Sagentia Group plc. The liquidation of Sagentia Group AG has required the recycling of cumulative translation differences to the income statement resulting in a one-off, non-cash charge of £0.7 million in the year which has been shown as Results from Discontinued Operations in the Consolidated Income Statement.

Neil Elton
Finance Director

Report of the Directors

The Directors present their annual report on the affairs of Sagentia Group plc, together with consolidated financial statements and independent auditor's report for the year ended 31 December 2011.

Business review and principal activities
The principal activities of Sagentia are the provision of outsourced R&D consultancy services from market analysis, through product development to transfer-to-manufacturing, and the development and exploitation of intellectual property. The business operates in the Medical, Consumer and Industrial sectors.

A review of Sagentia's activities is contained in the Chairman's Statement and the Chief Executive's Review. The entities principally contributing the profit and assets of Sagentia in the current and preceding year are listed in Note 13 to the financial statements.

Key performance indicators
Management seeks to manage the cash and profitability of the Group. Working capital is reviewed via measures of debtor days and combined 'debtor and WIP' days. Profitability of the business, with its relatively fixed cost base, is managed primarily via the review of revenue with secondary KPIs of consultant utilisation and daily fee rates.

- Group revenue was £23.6 million (2010: £20.8 million) of which R&D Consultancy revenue was £19.9 million (2010: £17.8 million)
- Operating profit was £3.9 million (2010: £2.5 million)
- Profit before income tax from continuing operations was £3.3 million (2010: £2.2 million)
- Profit attributable to equity holders of the parent from continuing operations was £3.3 million (2010: £2.3 million)
- Net funds £14.1 million (2010: £8.6 million)
- Debtor days were 44 (2010: 44)
- Debtor and WIP days were 25 (2010: 25)

Substantial shareholdings
As at the date of this report, Sagentia had been notified of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Martyn Ratcliffe	12,512,906	29.91
Legal & General Investment Management	6,008,539	14.36
Hargreave Hale	4,203,200	10.00
Charles Stanley and Co	1,881,936	4.50
Aviva Investors	1,620,000	3.87

Principal risks and uncertainties facing Sagentia
In addition to the financial risks discussed in Note 3, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

- **Potential downturn in the market for outsourced product development and related services**
  Sagentia is dependent on the global market for outsourced research and development services. An economic downturn or instability may cause customers to delay decisions to commit to product development projects and/or related services, or to use internal resources to achieve their business goals.

  The Group seeks to mitigate this risk by diversifying exposure across various geographical markets; increasing the number of market sectors in which the Group operates; diversifying the type of customers with whom the Group operates (ranging from well-funded start-up companies to large multi-national corporates); increasing the range of service offerings that the Group provides in outsourced research and development; and marketing activities to inform current and prospective customers regarding the benefits of outsourced research and development services and Sagentia's proven ability to fulfill those objectives.

- **Dependence on key personnel**
  Sagentia's business depends on recruiting and retaining highly qualified technical experts on whom the business depends to deliver research and development services, often requiring leading edge science and technology. Failure to recruit, replace or retain key staff could threaten the business's ability to deliver projects to its clients or to win new work. The Group seeks to mitigate this risk by encouraging staff retention by offering competitive remuneration packages for personnel including base salary, annual bonus, pension and health benefits and share option schemes; offering a diversity of technically challenging work in a number of market sectors and for a diversity of customers, across a variety of technologies; and providing career development paths and training support.

Report of the Directors continued

Principal risks and uncertainties facing Sagentia (continued)

- **Reputational risk**
  Failure to deliver project deliverables to an agreed budget and timetable on a particular project may result in reputational damage to Sagentia that may adversely affect future sales.

  The Group seeks to mitigate this risk by having in place effective Quality Assurance procedures administered by a department independent of operations; senior management review meetings being held with clients on a regular basis; formal questionnaires being sent to clients at the close of projects to ascertain their views and to inform improvements and actions that the company may take; and subscription to various accreditations including ISO 9001:2008 and ISO 13485:2003.

- **Economic conditions or other factors affecting the financial circumstances of customers of the Group**
  The profitability of the Group could be adversely affected by the continuation or worsening of general economic conditions in the United Kingdom, United States and/or other markets by virtue of the financial failure of customers or potential customers of the Group. It may also involve customers defaulting on the payment of invoices issued by the Group or delaying payment of invoices which may have a significant impact on the income and the business of the Group.

  The Group seeks to mitigate this risk by actively managing customer credit limits and monitoring invoicing and work-in-progress on a regular basis and, if appropriate, the payment in advance of all or part of the estimated costs.

- **Project over-run or failure to meet technical milestones**
  Projects may over-run and/or may fail to meet technical milestones because the nature of the work which Sagentia undertakes is technically challenging. Project over-runs can lead to loss of margin on projects and overall profitability for the consultancy business. Poor performance may also result in damage to Sagentia's reputation.

  The Group seeks to mitigate this risk by contracting the majority of projects on a time-and-materials, rather than fixed price basis; operating a formal bid review process including peer review of estimates submitted to customers; undertaking a risk evaluation prior to any fixed price contracts or specific deliverables being agreed and to incorporate appropriate risk premiums into agreements if appropriate; conducting regular project reviews to assess whether the revenue recognised on work in progress is a fair representation of actual costs incurred and estimated costs to completion, conducting regular, formal project Board review meetings for large projects; and regular senior management meetings with clients to review progress on projects.

In addition to the principal risks and uncertainties above the Group faces other risks that include but are not limited to:

- Increased competition
- Failure to retain, or loss of, customer contracts
- Customer concentration
- Technology leadership
- Product liability claims or other warranty and indemnity claims in respect of contractual obligations
- Infringement of third party intellectual property rights
- Failure of licensees to successfully exploit licensed technology
- Counterparty risk
- United Kingdom and other taxation
- Risk to property
- Changes in legislation relating to trading

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

Election of Directors
Keith Glover was appointed by the Board during the year, and as such will offer himself for re-election at the next Annual General Meeting. Martyn Ratcliffe will retire by rotation and offer himself for re-election at the next Annual General Meeting.

Dividends
The Directors do not propose to pay a dividend for the year ended 31 December 2011 (2010: £Nil). The Board will review its dividend policy periodically in the context of Sagentia's distributable reserves and financial position.

Report of the Directors continued

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

Director	Role at 31 December 2011	Date of (re-) appointment	Retired	Board Committee		
Martyn Ratcliffe	Chairman	20/05/10			N	R
David Courtley†	Non-Executive	20/05/10		A	N	R
Keith Glover†	Non-Executive	01/10/11		A	N	R
Brent Hudson	Chief Executive	16/05/11				
Neil Elton	Finance Director	16/05/11				

Board Committee abbreviations are as follows: A = Audit Committee; R = Remuneration Committee; N = Nomination Committee
† Independent Director

Martyn Ratcliffe* Chairman
Martyn Ratcliffe was appointed Chairman on 15 April 2010 following his investment in Sagentia. He has been Chairman of Microgen plc since 1998 and was appointed Chairman of RM plc in 2011. He was previously Senior Vice President of Dell Computer Corporation, responsible for the Europe, Middle East and Africa region. He has a degree in Physics from the University of Bath and an MBA from City University, London.

Brent Hudson Chief Executive Officer
Brent Hudson joined Sagentia in October 2009. He qualified as a management accountant in 1985 and began his career working in financial management before moving to KPMG management consulting. He gained an MBA from Cranfield University whilst working at KPMG. Since then, he has held senior and/or board-level roles at technology companies in the UK and USA.

Neil Elton Finance Director
Neil Elton joined Sagentia in August 2010. Until June 2010 he was Finance Director at Concateno plc, an AIM listed healthcare company until it was acquired by Alere Inc in August 2009. Prior to Concateno, Neil was Finance Director of Mecom Group plc, an acquisitive AIM listed European media group. He has a degree in Geography from Oxford University and qualified as a Chartered Accountant with Arthur Andersen.

* Retire by rotation at the next AGM

David Courtley Non-Executive Director
David Courtley was appointed a Non-Executive Director and Chairman of the Audit Committee on 15 April 2010. From 2001 to 2008, he was Chief Executive of Fujitsu Services Ltd and in 2011 was appointed CEO of Phoenix IT Group plc. He has a degree in Mathematics from Imperial College, London.

Professor Keith Glover Non-Executive Director
Keith Glover was appointed a Non-Executive Director on 1 October 2011. He is a Fellow of the Royal Society, a Fellow of the Institute of Electrical and Electronic Engineers, a Fellow of the Royal Academy of Engineering, and was elected to a Professorship of Engineering at Cambridge University in 1989, a position which he still retains, having served as Head of the Department of Engineering from 2002 to 2009. He has a BSc in Electrical Engineering from Imperial College, London and a PhD from Massachusetts Institute of Technology.

Report of the Directors continued

Directors' interests in shares and contracts
Directors' interests in the shares of Sagentia Group plc, at 31 December 2011 and 31 December 2010, and any changes subsequent to 31 December 2011, are disclosed in Note 8. None of the Directors had an interest in any contract of significance to which Sagentia was a party during the financial year, other than that disclosed in Note 22.

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

Non-current assets
Details of movements in property, plant and equipment during the year are set out in Note 12 to the financial statements.

The property was last valued during July 2010. The Directors do not believe that the carrying value of the property is significantly different to its fair value.

Research and development
Sagentia has a continuing commitment to a high level of research and development, both on its own behalf, and on behalf of its clients.

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

Sagentia is dependent upon the qualities and skills of its employees and the commitment of its people play a major role in the Group's business success. Employees' performance is aligned to goals through an annual performance review process that is carried out with all employees, and via Sagentia's incentive programmes. Sagentia operates a share option scheme, which is at the discretion of the Remuneration Committee. Executives and managers in Sagentia are invited to participate on the basis of recommendations made by the Chief Executive to the Remuneration Committee. Sagentia provides employees with information about its activities through regular briefings and other media.

Supplier payment policy
The supplier payment policy is to pay suppliers according to their payment terms. Sagentia payables balance for 2011 represents a creditor payment period of 15 days (2010: 21 days).

Charitable and political donations
The company operates a scheme whereby it will, on a discretionary basis, match charitable donations raised by employees up to a specified limit. Charitable contributions made in 2011 were £5,540 (2010: £2,840). No political donations were made in the year (2010: £Nil).

Post balance sheet events
On 31 January 2012 Sagentia Sensors Limited was dissolved.

There are no other post balance sheet events to disclose.

Auditors
The auditors are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Report of the Directors continued

Directors' Responsibilities Statement

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors are aware:

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

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

Corporate Governance Report

The Company is registered in England and Wales, and listed on the Alternative Investment Market of the London Stock Exchange ('AIM').

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

- not all of the Directors on the Remuneration Committee are independent, as defined by the Code
- the Board does not formally evaluate the performance of each of its Directors, but evaluates the effectiveness of the Board as a whole and the committees of the Board on an annual basis

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

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

At 31 December 2011, the Board comprised a Chairman, Chief Executive Officer, Finance Director and two Independent Non-Executive Directors. All Directors bring a wide range of skills and international experience to the Board. The Chairman holds meetings with the Non-Executive Directors without the Chief Executive and Finance Director present.

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

Report of the Directors continued

Corporate Governance Report (continued)

High-level strategic decisions are discussed and taken by the full Board. Investment decisions (above a de minimus level) are taken by the full Board. Operational decisions are taken by the Chief Executive within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board met 16 times during 2011 (2010: 12). The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve. The Board will meet at least ten times a year to consider a formal schedule of matters including the operating performance of the business and to review Sagentia's financial plan and business model.

Non-Executive Directors are appointed for a three year term after which their appointment may be extended by mutual agreement after review by the Nomination Committee of the Board. In accordance with the Company's Articles of Association, the longest serving Director must retire at each Annual General Meeting and each Director must retire in any three year period, so that over a three year period all Directors will have retired from the Board and been subject to shareholder re-election.

All Directors have access to the advice and services of the Company Secretary and other independent professional advisers as required. Non-Executive Directors have access to key members of staff and are entitled to attend management meetings in order to familiarise themselves with all aspects at Sagentia.

It is the responsibility of the Chairman and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Relations with shareholders
The Directors seek to build on a mutual understanding of objectives between Sagentia and its major shareholders by meeting to discuss long term issues and receive feedback, communicating regularly throughout the year and issuing trading updates as appropriate. The Board also seeks to use the Annual General Meeting to communicate with its shareholders.

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

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

Remuneration strategy
Sagentia operates in a competitive market. If Sagentia is to compete successfully, it is essential that it attracts, develops and retains high quality staff. Remuneration policy has an important part to play in achieving this objective. Sagentia aims to offer its staff a remuneration package which is both competitive in the relevant employment market and which reflects individual performance and contribution. For 2011 the remuneration package comprised salary, pension contributions, healthcare and life assurance benefits, a company bonus scheme and, where appropriate, share options.

Report of the Directors continued

Board Committees

The Board maintains three standing committees, being the Audit, Remuneration and Nomination Committees. The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented by oral reports from the Committee Chairmen at Board meetings.

Audit Committee
The Audit Committee is chaired by David Courtley and currently comprises David Courtley and Keith Glover. The Audit Committee met three times during 2011 (2010: 3). The Committee Chairman also took additional meetings with the auditors and Finance Director during the year. Further details on the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee
The Remuneration Committee is chaired by David Courtley and also comprises Martyn Ratcliffe and Keith Glover. The Remuneration Committee met six times during 2011 (2010: 1). It may take advice from time to time from external advisers, but did not do so in 2011. Further details on the Remuneration Committee are provided in the Report of the Board on Remuneration.

Nomination Committee
The Nomination Committee is chaired by Martyn Ratcliffe and also comprises David Courtley and Keith Glover. The Nomination Committee met twice during 2011 (2010: 0). It may take advice from time to time from external advisers, but did not do so in 2011.

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

Meetings of the Board and Sub-committees during 2011 were as follows:

	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held in 2011	16	3	6	2
Martyn Ratcliffe	16/16	3/3†	5/6	2/2
Brent Hudson	16/16	3/3*	5/6*	-
Neil Elton	16/16	3/3*	4/6*	-
David Courtley	15/16	3/3	6/6	2/2
Professor Keith Glover	3/4	1/1	1/1	-

* Attendance by invitation
† Stepped down from Audit Committee in October 2011

Report of the Remuneration Committee

Remuneration Committee
The Committee, which is chaired by David Courtley, also comprises Martyn Ratcliffe and Keith Glover. The Remuneration Committee monitors the Remuneration policies of Sagentia to ensure that they are consistent with Sagentia's business objectives. Its terms of reference include the recommendation and execution of policy on Director and executive management remuneration and for reporting decisions made to the Board. The Committee both determines the individual remuneration package of the Chief Executive and Finance Director and reviews remuneration levels for all employees of Sagentia, particularly senior managers. In accordance with the provisions of the Combined Code, this responsibility includes pension rights and any other compensation payments.

The Remuneration Committee recognises that incentivisation of staff is a key issue for Sagentia, which depends on the skill of its people for its success. The Remuneration Committee seeks to incentivise employees by linking individual remuneration to individual performance and contribution, and to Sagentia results. During the year the Remuneration Committee approved grants of share options and confirmed a profit related bonus scheme for the Company for 2011.

The aim of the Board and the Remuneration Committee is to maintain a policy that:

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

From time to time the Committee may obtain market data and information as appropriate when making its comparisons and decisions and is sensitive to the wider perspective, including pay and employment conditions elsewhere in Sagentia, especially when undertaking salary/remuneration reviews.

The remuneration package comprises the following elements:

- basic salary – normally reviewed annually and set to reflect market conditions, personal performance and benchmarks in comparable companies
- annual performance-related bonus – executives, managers and employees receive annual bonuses related to company performance
- benefits – benefits include medical insurance, life assurance, pension contributions for the Executive Directors and company car allowance
- share options – share option grants are reviewed regularly

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

Service contracts
The Chief Executive and Finance Director have employment contracts which contain a notice period of twelve and six months respectively. The Chairman has an employment contract which contains a notice period of six months. Non-Executive Directors' service contracts may be terminated on three months' notice. There are no additional financial provisions for termination.

Option plans
The Company adopted an approved and unapproved Share Option Scheme in 2008, the terms of which were reviewed and amended in 2010. Options granted under these schemes are issued at market price. The Remuneration Committee approves any options granted thereunder. Directors are entitled to participate in Sagentia's share option schemes. Independent Non-Executive Directors do not participate in Sagentia's share option schemes. It is the policy of Sagentia to grant share options to Executive Directors and key employees as a means of encouraging ownership and providing incentives for performance. Share options granted to the Chairman have been specifically approved by shareholders.

The market price of the shares at 31 December 2011 was 87.5 pence (31 December 2010: 67.5 pence). The highest and lowest price during the year was 96.2 pence and 66.0 pence respectively.

Report of the Directors continued

Report of the Audit Committee

Audit Committee
The Audit Committee is chaired by David Courtley and currently comprises David Courtley and Keith Glover. The Audit Committee met three times during 2011. The Committee Chairman also took additional meetings with the auditors and Finance Director during the year.

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the financial statements of Sagentia and any formal announcements relating to Sagentia's financial performance; to review Sagentia's internal financial controls and Sagentia's internal control and risk management systems; and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness and the independence and objectivity of the auditors. A report and recommendation regarding the auditors is put to shareholders for their approval in general meetings.

Provision is made by the Audit Committee to meet the auditors at least twice a year.

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

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

The key features of the internal control system are described below:

Control environment – Sagentia is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There are also policies in place for the reporting and resolution of suspected fraudulent activities. Sagentia has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk identification – Management is responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements.

Information systems – Group businesses participate in periodic operational, strategic reviews and annual plans. The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main control procedures – Sagentia has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties and reviews by management.

Monitoring and corrective action – There are clear and consistent procedures in place for monitoring the system of internal financial controls.

This process, which operates in accordance with the FRC guidance, was maintained throughout the financial year, and has remained in place up to the date of the approval of these financial statements. The Board, via the Audit Committee, has reviewed the systems and processes in place in meetings with the Chief Executive, Finance Director, and Sagentia's auditors during 2011. No internal audit function is operated outside of the systems and processes in place, as the Board considers that Sagentia is too small for a separate function. The Board considers the internal control system to be adequate for Sagentia.

The auditors have provided services in relation to the annual audit of the Group, advice and compliance work in relation to taxation and other advisory work during the year.

Report of the Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and also comprises David Courtley and Keith Glover.
The Nomination Committee met twice during 2011 (2010: 0).

During the year the Committee continued the search for a second Independent Non-Executive Director. After an extensive search the Committee was able to recommend the appointment of Professor Keith Glover to the Board.

Approval

The Report of the Directors was approved by the Board on 5 March 2012 and signed on its behalf:

By order of the Board
Neil Elton
Company Secretary

Harston Mill, Harston
Cambridge,
CB22 7GG

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

We have audited the financial statements of Sagentia Group plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in shareholders' equity, the consolidated and company statements of financial position, the consolidated and company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
5 March 2012

Financial Statements

and Notes to the Financial Statements

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Group 2011 £000	2010 £000
Revenue	4	**23,568**	20,821
Operating expenses	5	**(19,662)**	(18,278)
Operating profit	4	**3,906**	2,543
Change in fair value on financial assets	13	**-**	(417)
Net loss on disposal of non-current asset investments	13	**(80)**	-
Share based payment charge	7, 18	**(206)**	(63)
Profit before finance charges and tax		**3,620**	2,063
Finance costs	6	**(353)**	(608)
Finance income	6	**79**	346
Change in fair value of interest rate swap	6	**-**	351
Profit before income tax		**3,346**	2,152
Income tax	9	**(78)**	165
Profit for the year from continuing operations	11	**3,268**	2,317
Loss for the year from discontinued operations		**(680)**	-
Profit for the year	11	**2,588**	2,317
Profit for the year attributable to:			
Equity holders of the parent	11	**2,588**	2,295
Non-controlling interests		**-**	22
Profit for the year		**2,588**	2,317
Earnings per share			
Earnings per share from continuing operations (basic)	11	**7.8p**	7.0p
Earnings per share from continuing operations (diluted)	11	**7.3p**	6.8p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Group 2011 £000	2010 £000
Profit for the year	**2,588**	2,317
Other comprehensive income:		
Exchange difference on translating foreign operations	**258**	19
Recycled translation reserve	**680**	-
Other comprehensive income for the year, net of tax	**938**	19
Total comprehensive income for the year	**3,526**	2,336
Attributable to:		
- Owners of the parent	**3,526**	2,314
- Non-controlling interests	**-**	22
Total comprehensive income for the year	**3,526**	2,336

Consolidated and Company Statement of Changes in Shareholders Equity

For the year ended 31 December 2011

Group	Issued capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Share based payment reserve £000	Retained earnings £000	Total – share-holders funds £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2010	**217**	**49**	**22,211**	**(699)**	**769**	**(9,846)**	**12,701**	**48**	**12,749**
New shares issued	200	7,800	-	-	-	-	**8,000**	-	**8,000**
Cost of placing	-	(331)	-	-	-	-	**(331)**	-	**(331)**
Share based payment charge	-	-	-	-	63	-	**63**	-	**63**
Transactions with owners	**200**	**7,469**	**-**	**-**	**63**	**-**	**7,732**	-	**7,732**
Profit for the year	-	-	-	-	-	2,295	**2,295**	22	**2,317**
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	19	-	-	**19**	-	**19**
Total comprehensive income for the year	**-**	**-**	**-**	**19**	**-**	**2,295**	**2,314**	**22**	**2,336**
Balance at 31 December 2010	**417**	**7,518**	**22,211**	**(680)**	**832**	**(7,551)**	**22,747**	**70**	**22,817**
Balance at 1 January 2011	**417**	**7,518**	**22,211**	**(680)**	**832**	**(7,551)**	**22,747**	**70**	**22,817**
Disposal of Sagentia Group AG	-	-	(11,868)	-	-	11,868	**-**	-	**-**
Change in ownership interest	-	-	-	-	-	(80)	**(80)**	(70)	**(150)**
New shares issued	1	20	-	-	-	-	**21**	-	**21**
Share based payment charge	-	-	-	-	206	-	**206**	-	**206**
Transactions with owners	**1**	**20**	**(11,868)**	**-**	**206**	**11,788**	**147**	**(70)**	**77**
Profit for the year	-	-	-	-	-	2,588	**2,588**	-	**2,588**
Other comprehensive income:									
Exchange differences on translating foreign operations	-	-	-	258	-	-	**258**	-	**258**
Recycled to income statement	-	-	-	680	-	-	**680**	-	**680**
Total comprehensive income for the year	**-**	**-**	**-**	**938**	**-**	**2,588**	**3,526**	**-**	**3,526**
Balance at 31 December 2011	**418**	**7,538**	**10,343**	**258**	**1,038**	**6,825**	**26,420**	**-**	**26,420**

Company	Issued capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Share based payment reserve £000	Retained earnings £000	Total – share-holders funds £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2010	**217**	**49**	**10,343**	**-**	**24**	**(218)**	**10,415**	**-**	**10,415**
New shares issued	200	7,800	-	-	-	-	8,000	-	**8,000**
Cost of placing	-	(331)	-	-	-	-	(331)	-	**(331)**
Share based payment charge	-	-	-	-	72	-	72	-	**72**
Transactions with owners	**200**	**7,469**	**-**	**-**	72	**-**	**7,741**	**-**	**7,741**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(845)**	**(845)**	**-**	**(845)**
Balance at 31 December 2010	**417**	**7,518**	**10,343**	**-**	**96**	**(1,063)**	**17,311**	**-**	**17,311**
Balance at 1 January 2011	**417**	**7,518**	**10,343**	**-**	**96**	**(1,063)**	**17,311**	**-**	**17,311**
New shares issued	1	20	-	-	-	-	21	-	**21**
Share based payment charge	-	-	-	-	143	-	143	-	**143**
Transactions with owners	**418**	**7,538**	**10,343**	**-**	**239**	**-**	**164**	**-**	**164**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**11,922**	**11,922**	**-**	**11,922**
Balance at 31 December 2011	**418**	**7,538**	**10,343**	**-**	**239**	**10,859**	**29,397**	**-**	**29,397**

The Merger reserve arose as a consequence of a Group reorganisation. In 2008 Sagentia Group plc acquired Sagentia Group AG by way of a share for share exchange. Sagentia Group AG was liquidated during the year as a result of which the Merger reserve was reduced to £10.3m and cumulative translation differences of £0.7m have been recycled to the consolidated income statement as a loss from discontinued operations.

Consolidated and Company Statement of Financial Position

At 31 December 2011

		Company		Group	
	Note	**2011 £000**	2010 £000	**2011 £000**	2010 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**-**	-	**14,120**	14,112
Investments	13	**10,559**	10,559	**-**	-
Deferred income tax assets	10	**-**	-	**3,237**	3,240
		10,559	10,559	**17,357**	17,352
Current assets					
Trade and other receivables	14	**9,173**	4	**2,876**	4,087
Cash and cash equivalents	15	**10,097**	11,901	**21,198**	16,430
		19,270	11,905	**24,074**	20,517
Non-current assets classified as held for sale					
Non-current assets classified as held for sale	13	**-**	-	**-**	1,024
		-	-	**-**	1,024
Total assets		**29,829**	22,464	**41,431**	38,893
LIABILITIES					
Current liabilities					
Trade and other payables	16	**428**	5,153	**5,327**	5,427
Current income tax liabilities	16	**4**	-	**180**	38
Other borrowings	16	**-**	-	**835**	800
		432	5,153	**6,342**	6,265
Non-current liabilities					
Borrowings	17	**-**	-	**6,232**	7,000
Other creditors	17	**-**	-	**-**	247
Deferred income tax liabilities	10, 17	**-**	-	**2,437**	2,564
		-	-	**8,669**	9,811
Total liabilities		**432**	5,153	**15,011**	16,076
Net assets / liabilities		**29,397**	17,311	**26,420**	22,817
Shareholders equity					
Share capital	18	**418**	417	**418**	417
Share premium		**7,538**	7,518	**7,538**	7,518
Merger reserve		**10,343**	10,343	**10,343**	22,211
Translation reserves		**-**	-	**258**	(680)
Share based payment reserve		**239**	96	**1,038**	832
Retained earnings		**10,859**	(1,063)	**6,825**	(7,551)
		29,397	17,311	**26,420**	22,747
Non-controlling interest		**-**	-	**-**	70
Total equity		**29,397**	17,311	**26,420**	22,817

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

Neil Elton Finance Director
Brent Hudson Chief Executive Officer
On 5 March 2012

The accompanying Notes are an integral part of the Consolidated and Company Statement of Financial Position.
The company's registered number is **06536543**.

Consolidated and Company Statement of Cash Flows

At 31 December 2011

		Company		Group	
		2011	2010	**2011**	2010
	Note	**£000**	£000	**£000**	£000
Profit (loss) before income tax		**11,948**	(1,011)	**3,346**	2,152
Depreciation and amortisation charges		**-**	-	**231**	322
Loss on disposal of property, plant and equipment		**-**	-	**-**	72
Loss on disposal of current asset investments		**-**	-	**80**	-
Change in fair value of held for sale assets		**-**	-	**-**	417
Change in fair value of interest rate swap		**-**	-	**-**	(351)
Share based payment charge		**143**	72	**206**	63
Write back of loans by non-controlling interests to subsidiary undertakings		**-**	-	**-**	(285)
(Increase) decrease in receivables		**(9,169)**	(2)	**1,211**	(87)
Increase (decrease) in payables		**(4,721)**	5,006	**(347)**	1,101
Cash generated from operations		**(1,799)**	4,065	**4,727**	3,404
UK corporation tax received (paid) - net		**(26)**	166	**(40)**	33
Foreign corporation tax received (paid) net		**-**	-	**(20)**	11
Cash flows from operating activities		**(1,825)**	4,231	**4,667**	3,448
Purchase of property, plant and equipment		**-**	-	**(239)**	(169)
Purchase of non-controlling interest		**-**	-	**(150)**	-
Sale of current assets investments		**-**	-	**944**	-
Cash flows from investing activities		**-**	-	**555**	(169)
Issue of ordinary share capital		**21**	8,000	**21**	8,000
Placement costs		**-**	(331)	**-**	(331)
Proceeds from bank loans		**-**	-	**-**	8,000
Repayment of bank loans		**-**	-	**(800)**	(6,700)
Proceeds from other loan		**-**	-	**95**	-
Repayment of other loan		**-**	-	**(28)**	-
Cash flows from financing activities		**21**	7,669	**(712)**	8,969
Increase (decrease) in cash and cash equivalents in the year		**(1,804)**	11,900	**4,510**	12,248
Cash and cash equivalents at the beginning of the year		**11,901**	1	**16,430**	4,234
Exchange gains (loss) on cash		**-**	-	**258**	(52)
Cash and cash equivalents at the end of the year	15	**10,097**	11,901	**21,198**	16,430

Notes to the Financial Statements

For the year ended 31 December 2011

1 General information

Sagentia Group plc (the 'Company') and its subsidiaries (together 'Sagentia' or 'Group') is an international technology consulting group providing outsourced R&D consultancy services from market analysis, through product development to transfer-to-manufacturing and the development and exploitation of intellectual property.

The Company is the ultimate parent company in which results of all Sagentia companies are consolidated. The Company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange. Sagentia Group AG was liquidated during the year. Sagentia develops new and novel technologies in the Medical (Diagnostics, Patient Care and Surgical) and Commercial (Industrial and Consumer) industries. Its key areas of expertise include: engineering, electronics, life sciences, business innovation, and materials. Sagentia's facilities include offices and laboratories located in Europe in Cambridge and in the US in Cambridge, Mass, near Boston.

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

The Company is incorporated in England and Wales and has its primary listing on the AIM Market of the London Stock Exchange (SAG.L). The value of Sagentia Group plc shares, as quoted on the London Stock Exchange plc at 31 December 2011, was 87.5 pence per share (31 December 2010: 67.5 pence).

These consolidated financial statements have been approved for issue by the Board of Directors on 5 March 2012.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Sagentia have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value. The financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRIC interpretations issued and effective at the time of preparing these statements.

Of the new standards and interpretations effective for the year ended 31 December 2011, there was no impact on the presentation of the financial statements of Sagentia Group plc other than in disclosure. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

No income statement is presented for Sagentia Group plc as provided by Section 408 of the Companies Act 2006. The Company's profit for the financial period after tax, determined in accordance with the Act, was £11,922,000 (2010: loss of £845,000).

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2011 are listed below. Sagentia has not adopted these early.

Number	Title	Effective
IFRS 9	Financial Instruments	01-Jan-15
IFRS 10	Consolidated Financial Statements	01-Jan-13
IFRS 11	Joint Arrangements	01-Jan-13
IFRS 12	Disclosure of Interests in Other Entities	01-Jan-13
IFRS 13	Fair Value Measurement	01-Jan-13
IAS 19 (Revised June 2011)	Employee Benefits	01-Jan-13
IAS 27 (Revised)	Separate Financial Statements	01-Jan-13
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	01-Jan-12
Amendments to IFRS 1	First Time Adoption of International Financial Reporting Standards	01-Jul-11
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	01-Jul-12
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	01-Jan-13
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	01-Jan-14
Amendments to IFRS 9 and 7	Mandatory Effective Date and Transition Disclosures	01-Jan-15
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	01-Jan-13

All standards and interpretations are not expected to have any significant impact on Sagentia's financial statements, in their periods of initial application.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Sagentia's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 23.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Chief Executive's Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Director's Review on page 6. In addition, Notes 3 and 23 to the financial statements and the Report of the Directors include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Group has adequate working capital resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 Basis of consolidation
The basis of consolidation is set out below:

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

Investments – Investments which are not subsidiaries in which Sagentia does not hold significant influence. Where Sagentia holds these investments for ultimate disposal and capital gain, they are accounted for in accordance with IAS39, and are designated as at fair value through profit and loss. Where the decision has been made to sell these assets within 12 months, they are re-categorised to non-current assets held for resale. Further details on investments are provided in Note 2.8 below.

2.3 Segment reporting
Under IFRS 8 the accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the chief operating decision makers (CODMs), being the Board of Sagentia Group plc.

There are two segments identified; Core Business and Other. Core Business activities includes all 'fees for services' operations including recharged materials and product and licence income generated directly from these activities. 'Other' activities include rental income from Harston Mill and external IT services. The constituent sectors (Medical and Commercial) are reviewed by the CODM at the revenue / sales level.

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

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

Computer software development costs recognised as assets (see 2.6 re requirements of internally developed software) are amortised over their useful lives (not exceeding three years).

2.5 Research expenditure
Research expenditure is written off as incurred.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.6 Development expenditure
Development expenditure is also written off as incurred, except where the Directors are satisfied that the technical, commercial and financial viability of an individual project's criteria are met that would allow such costs to be capitalised. Where identifiable expenditure is capitalised it is amortised over the period during which benefits are expectedto accrue. There is no capitalised development on the balance sheet at 31 December 2011.

2.7 Property, plant and equipment
Land and buildings as shown in the Notes to the accounts comprise offices and laboratories at Harston Mill, Harston, Cambridge, UK. Land and buildings are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation on buildings is calculated using the reducing balance method to calculate their cost less their residual values over their economic life as follows:

Buildings	25 years

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:

Furniture and fittings	3-5 years
Equipment	3 years

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

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

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

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

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

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

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

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

- where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value; and
- where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation. Board judgement is used where no recent investment has been made either by Sagentia or any third parties or where the Board considers the value of the investment to be lower.

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

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

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

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

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

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

2.13 Revenue recognition
Consulting revenue represents the fair value of the consideration received or recoverable for consulting services on each client assignment provided during the year, including expenses and disbursements but excluding, value added tax and other similar sales taxes.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in the income statement.

Product and licence income is recognised in the related period in line with the agreement or contract.

Property income from leases over property held is recognised in the related period on a straight line basis over the lease term. IT support fees is recognised in the related period in line with the contract.

2.14 Dividend income
Dividend income is recognised when the right to receive payment is established.

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

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

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

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

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- 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)
- all resulting exchange differences are recognised as a separate component of equity and;
- on disposal of a foreign subsidiary the accumulated translation differences recognised in equity are reclassified to profit and loss and recognised as part of the gain or loss on disposal

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.17 Employee benefits
(a) Pension obligations
Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies based on a percentage of salary earned, currently ranging between 0% and 8%. Sagentia has defined contribution plans. A defined contribution plan is a pension plan under which Sagentia pays fixed contributions into a separate entity. Sagentia has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, Sagentia pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Sagentia has no further payment obligations once the contributions have been paid. The contributions are recognised as an 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.

Sagentia GmbH had a legacy pension scheme over which there were obligations to future pension benefits. These obligations were transferred to a third party insurer in 2011 and the change in fair value prior to the settlement recorded in the income statement.

Sagentia Inc provides 401(k) benefits to employees. Sagentia has no further payment obligations once the contributions have been paid.

(b) Share based compensation
Sagentia operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, as calculated by using an appropriate valuation method. The Black-Scholes model excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). The Monte-Carlo and Binomial Option Pricing models build in any performance conditions. 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 share based compensation charge in the Company accounts is based only on those option holders employed directly by the Company.

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

(d) Profit-sharing and bonus plans
Sagentia recognises a liability and an expense for bonuses and / or profit-sharing, based on the incentive plans approved by the Remuneration committee. Sagentia 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, except where the timing of the reversal of the temporary difference is controlled by Sagentia and it is probable that the temporary difference will not reverse in the foreseeable future.

2.19 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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.20 Leases
In accordance with IAS17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date the asset is initially recognised.

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

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

Income from property leases is recognised in the related period on a straight line basis over the lease term. The majority of property leases are subject to mutual notice periods of up to 6 months.

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

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

3 Financial risk management

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

(a) Foreign currency sensitivity
Sagentia operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities.

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

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)
(a) Foreign currency sensitivity (continued)
Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

2011 £000	US$	Euro	HK$	Swedish Krona	Total
Financial assets	1,580	826	12	-	2,418
Financial liabilities	(56)	(23)	-	-	(79)
Short term exposure	**1,524**	**803**	**12**	**-**	**2,339**
Financial assets	-	-	-	-	-
Financial liabilities	-	-	-	-	-
Long term exposure	**-**	**-**	**-**	**-**	**-**

2010 £000	US$	Euro	HK$	Swedish Krona	Total
Financial assets	2,704	561	110	74	3,449
Financial liabilities	(55)	(9)	(27)	(2)	(93)
Short term exposure	**2,649**	**552**	**83**	**72**	**3,356**
Financial assets	-	-	-	-	-
Financial liabilities	-	-	-	(80)	(80)
Long term exposure	**-**	**-**	**-**	**(80)**	**(80)**

The following table illustrates the sensitivity of the net movement on reserves and equity in regards to Sagentia's financial assets and financial liabilities and the US dollar/GBP exchange rate, Euro/GBP exchange rate and Hong Kong dollar/GBP exchange rate. It assumes a +/- 10.0% change of the GBP/US dollar exchange rate for the year ended 31 December 2011 (2010: 10.0%). A +/- 10.0% change is considered for the GBP/Euro exchange rate (2010: 10.0%). A +/- 10.0% change is considered for the GBP/Hong Kong dollar exchange rate (2010: 10.0%).

If the GBP had strengthened against the US dollar, Euro and Hong Kong dollar by 10.0% (2010: 10.0%) respectively then this would have had the following impact:

Sagentia Group plc held no financial assets or liabilities in foreign currencies at the start or end of the year.

2011 £000	US$	Euro	HK$	Total
Income statement	(149)	(77)	(1)	(227)
Equity	(149)	(77)	(1)	(227)

2010 £000	US$	Euro	HK$	Total
Income statement	(251)	(52)	(12)	(315)
Equity	(251)	(52)	(12)	(315)

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

If the GBP had weakened against the US dollar, Euro and Hong Kong dollar by 10.0% (2010: 10.0%) respectively then this would have had the following impact:

2011 **£000**	**US$**	**Euro**	**HK$**	**Total**
Income statement	182	94	1	277
Equity	182	94	1	277

2010 **£000**	**US$**	**Euro**	**HK$**	**Total**
Income statement	306	63	15	384
Equity	306	63	15	384

The actual rate movement against the US dollar, Euro and Hong Kong dollar for the year was +2.0% (2010: -4.0%), +3.0% (2010: +3.0%) and -3.0% (2010: -4.0%) respectively.

Exposures to foreign exchange rates vary during the year depending on the volume and value of overseas transactions. Nonetheless, the analysis above is considered to be representative of Sagentia's exposure to currency risk.

(b) Interest rate sensitivity

Sagentia manages its longer term cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, Sagentia raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if Sagentia borrowed at fixed rates directly. Under the interest-rate swaps, Sagentia agrees with other parties to exchange, at specified intervals (typically quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

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

	2011 **£000**	2010 £000
Sterling – bank loan	**7,000**	7,800

Weighted average interest rate	**%**	%
Sterling – fixed rate bank loan	**-**	-
Sterling – floating rate bank loan	**Libor+2.5%**	Libor+2.5%

For benchmark rates of interest, Sagentia refers to the LIBOR rate.

The bank loan is secured via a fixed charge over certain assets of Sagentia and is repayable as disclosed in Note 19. Terms and conditions of the interest rate swap are as disclosed in Note 19.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -0.5% (2010: +1.0% and -0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on Sagentia's financial instruments held at each balance sheet date. All other variables are held constant.

	2011 **£000**	**2011** **£000**	2010 £000	2010 £000
	+1.0%	**-0.5%**	+1.0%	-0.5%
Net result for the year	**-**	**-**	(41)	21
Equity	**-**	**-**	(41)	21

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk analysis

Sagentia 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 although counterparty risk is not negligible. Sagentia has policies that limit the amount of credit exposure to any financial institution.

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

	Company		**Group**	
	2011 **£000**	2010 £000	**2011** **£000**	2010 £000
Non-current assets classified as held for sale	**-**	-	**-**	1,024
Cash and cash equivalents	**10,097**	11,901	**21,198**	16,430
Trade and other receivables	**9,173**	4	**2,876**	4,087
	19,270	11,905	**24,074**	21,541

Sagentia continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Sagentia's policy is to deal only with creditworthy counterparties or to require settlement in advance, although there can be no certainty that counterparty creditworthiness will be maintained. Cash balances are held with more than one creditworthy institution. Management regularly reviews the credit status of the financial institutions with whom it holds its deposits.

Sagentia's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of Sagentia's financial assets are secured by collateral or other credit enhancements.

(d) Liquidity risk analysis

Sagentia manages its liquidity needs by monitoring scheduled debt servicing payments for long term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a weekly and monthly basis. Long term liquidity needs for a quarterly and semi-annual period are reviewed monthly.

Sagentia maintains cash to meet its liquidity requirements in interest bearing current accounts.

As at 31 December 2011, Sagentia's liabilities have contractual maturities which are summarised below:

2011 Within	**Current**		**Non-current**	
	< 6 months **£000**	**6 to 12 months** **£000**	**1 to 5 years** **£000**	**> 5 years** **£000**
Bank borrowings	**400**	**400**	**6,200**	**-**
Other borrowings	**18**	**17**	**32**	**-**
Net interest on bank borrowings	**162**	**153**	**674**	**-**
Trade payables	**346**	**-**	**-**	**-**
	926	**570**	**6,906**	**-**

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

2010 Within	**Current**		**Non-current**	
	< 6 months **£000**	**6 to 12 months** **£000**	**1 to 5 years** **£000**	**> 5 years** **£000**
Bank borrowings	400	400	7,000	-
Net interest on bank borrowings/interest rate swap	181	172	989	-
Trade payables	449	-	-	-
	1,030	572	7,989	-

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Summary of financial assets and liabilities by category

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

	Company		Group	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Current assets				
Trade and other receivables:				
- Trade receivables	**-**	-	**2,358**	3,449
- Financial receivables at amortised cost	**9,156**	-	**-**	-
Cash and cash equivalents	**10,097**	11,901	**21,198**	16,430
	19,253	11,901	**23,556**	19,879
Non-current assets classified as held for sale				
Non-current assets classified as held for sale	**-**	-	**-**	1,024
	-	-	**-**	1,024
Non-current liabilities				
Borrowings:				
- Financial liabilities at amortised cost	**-**	-	**6,232**	7,000
	-	-	**6,232**	7,000
Current liabilities				
Borrowings:				
- Financial liabilities at amortised cost	**-**	4,757	**835**	800
Trade payables:				
- Financial liabilities at amortised cost	**3**	3	**346**	449
	3	4,760	**1,181**	1,249

3.2 Fair value estimation

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

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

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.2 Fair value estimation (continued)

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

Group 31 December 2011	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Assets				
Non-current assets classified as held for sale	-	-	-	-
Liabilities	-	-	-	-

Group 31 December 2010	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Assets				
Non-current assets classified as held for sale	-	1,024	-	1,024
Liabilities	-	-	-	-

3.3 Capital management

The group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital and to provide funds for merger and acquisition activity.

The group primarily views its capital as being its Shareholders' Funds, net funds (being gross cash less borrowings) and the freehold property at Harston Mill.

	Group	
	2011 £000	2010 £000
Total Shareholders' Funds	**26,420**	22,747
Net Funds (cash less borrowings)	**14,131**	8,630
Freehold property at Harston Mill	**13,793**	13,869

Shareholders' Funds

In 2010 the Company raised £8.0 million (before expenses) by way of a Placing of 20,000,000 new ordinary shares of 1.0 pence each at a price of 40.0 pence per ordinary share. In 2011 Sagentia Limited paid a dividend distribution to Sagentia Group plc of £8.0 million. In addition with the liquidation of Sagentia Group AG the Company was able to release an intercompany provision which along with profits generated by the Company in 2011 have resulted in the Company having distributable reserves of £10,859,000 at 31 December 2011.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Net Funds

The Group has strengthened its net funds position during 2011 through operating effective cash flow management and the sale of investments as set out in the Consolidated Statement of Cash Flows on page 22.

Details of the Group's borrowings are set out in Note 19 which summarises the terms of the loan and the interest swap arrangement. The requirements of the loan and interest rate swap agreements were satisfied in 2011.

Freehold Property

Details of the Freehold Property are set out in Note 12.

Notes to the Financial Statements continued

4 Segment information

Sagentia is organised on a worldwide basis into two segments, Core Business and Other. Core Business activities include the two industry sectors (Medical and Commercial) which Sagentia services and includes all Consultancy fees for services operations, including recharged expenses and product/licence revenue generated directly from these activities. 'Other' activities include rental income from Harston Mill and income from the provision of external IT services. The segmental analysis is reviewed up to operating profit. Other resources are shared across the Group.

Year ended 31 December 2011	**Core Business £000**	**Other £000**	**Total £000**
Fees	18,105	-	18,105
IT Support	-	840	840
Property income	-	1,370	1,370
Recharged project expenses	1,760	420	2,180
Product and licence income	1,073	-	1,073
Revenue	**20,938**	**2,630**	**23,568**
Operating profit	**3,604**	**302**	**3,906**
Loss on disposal of non-current asset investments			(80)
Share based payments			(206)
Profit before finance charges and tax			**3,620**
Finance charges			(274)
Profit before income tax			**3,346**
Tax charge			(78)
Profit for the year from continuing operations			**3,268**

Year ended 31 December 2010	**Core Business £000**	**Other £000**	**Total £000**
Fees	16,339	7	16,346
IT Support	-	771	771
Property income	-	1,280	1,280
Recharged project expenses	1,485	442	1,927
Product and licence income	497	-	497
Revenue	**18,321**	**2,500**	**20,821**
Operating profit	**2,423**	**120**	**2,543**
Change in fair value of financial assets			(417)
Share based payments			(63)
Profit before finance charges and tax			**2,063**
Finance charges			89
Profit before income tax			**2,152**
Tax income			165
Profit for the year from continuing operations			**2,317**

Notes to the Financial Statements continued

4 Segment information (continued)

Geographical segments
Revenue and non-current assets by geographical area are as follows:

	2011		2010	
	Revenue £000	**Non-current assets £000**	Revenue £000	Non-current assets £000
United Kingdom	**6,618**	**14,120**	6,984	14,109
Other European countries	**3,821**	**-**	4,048	-
North America	**13,091**	**-**	9,101	-
Other	**38**	**-**	688	3
Total	**23,568**	**14,120**	20,821	14,112

For the purpose of the analysis of revenue, geographical markets are defined as the country or area in which the client is based. Non-current assets are allocated based on their physical location.

During 2011, £3.8 million or 16% of the Group's revenues depended on a single customer in the Core Business segment, based in North America.

5 Operating expenses

Expenses by nature		**Group**	
Year ended 31 December	**Note**	**2011 £000**	2010 £000
Employee remuneration and benefit expense (excluding share options)	7	**10,886**	10,808
Operating third party expenses		**3,448**	2,501
Occupancy costs		**1,451**	1,545
Equipment and consumables		**618**	366
Selling and marketing expenses		**1,170**	970
Depreciation of property, plant and equipment	12	**231**	322
Patent fees		**82**	70
Recruitment and training		**652**	409
Foreign currency losses (gains)		**156**	(150)
Other		**968**	1,437
		19,662	18,278

Included above	**Group**	
	2011 £000	2010 £000
Research and development*	**7,326**	6,461
Operating lease rentals		
- Plant and machinery	**24**	60
- Other	**-**	58
Auditors' remuneration		
Services to the Company and its subsidiaries:		
Fees payable to the Company's auditors for the audit of the financial statements	**8**	15
Fees payable to the Company's auditors and its associates for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**27**	25
Other non-audit fees	**30**	17

*R&D costs are represented by staff and material costs incurred in relation to third party R&D projects

Notes to the Financial Statements continued

6 Finance income and finance costs

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

	Group	
Year ended 31 December	**2011**	2010
	£000	£000
Finance income		
Bank interest receivable and similar income	**79**	61
Non-controlling loan balance realised, previously provided for	**-**	285
	79	346
Finance costs		
Bank borrowings	**(353)**	(608)
Other financial result		
Change in fair value of interest rate swap	**-**	351

7 Employee benefit expense

Employment costs are shown below:

	Group	
Year ended 31 December	**2011**	2010
	£000	£000
Wages and salaries (including bonuses and healthcare costs)	**9,148**	9,195
Social security costs	**1,133**	986
Share options granted to Directors and employees	**206**	63
Pension costs	**605**	627
	11,092	10,871

The average monthly number of persons employed (including Executive Directors) by Sagentia was as follows:

	Group	
Year ended 31 December	**2011**	2010
Technology consultants	**121**	124
Marketing, support, administration and other technically-qualified staff	**33**	27
	154	151

8 Directors' remuneration, interests and transactions

Aggregate remuneration

Year ended 31 December	**2011**	2010
	£000	£000
Short-term employee benefits	**875**	708
Post-employment pension and medical benefits	**26**	28
Termination benefits	**-**	115
Share based payment transactions	**138**	87
	1,039	938

The amounts shown were recognised as an expense during the year related to key management personnel. Bonuses, pension and medical benefits are not paid to Non-Executive Directors. Total social security costs related to Directors during the year was £117,000 (2010: £98,000).

Notes to the Financial Statements continued

8 Directors' remuneration, interests and transactions (continued)

Directors' emoluments and benefits include

Year ended 31 December 2011	**Salary/ fee**	**Bonus**	**Pension contribution**	**Taxable Benefits**	**Compensation for loss of office**	**Share based transactions**	**Total**
Name of Director	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Courtley	**30**	**-**	**-**	**-**	**-**	**-**	**30**
Elton	**154**	**105**	**12**	**8**	**-**	**26**	**305**
Glover	**8**	**-**	**-**	**-**	**-**	**-**	**8**
Hudson	**175**	**159**	**14**	**11**	**-**	**45**	**404**
Ratcliffe	**225**	**-**	**-**	**-**	**-**	**67**	**292**
Aggregate emoluments	**592**	**264**	**26**	**19**	**-**	**138**	**1,039**

Year ended 31 December 2010	Salary/ fee	Bonus	Pension contribution	Taxable Benefits	Compensation for loss of office	Share based transactions	Total
Name of Director	£000	£000	£000	£000	£000	£000	£000
Ahlberg	4	-	-	-	-	-	4
Courtley	21	-	-	-	-	-	21
Elton	63	38	1	3	-	10	115
Hudson	158	158	13	4	-	31	364
Kylberg	4	-	-	-	-	-	4
Masters	15	-	-	-	-	-	15
McCarthy	88	-	14	-	115	7	224
Ratcliffe	152	-	-	-	-	39	191
Aggregate emoluments	505	196	28	7	115	87	938

Directors' emoluments and benefits are stated for the Directors of Sagentia Group plc only.

The above figures for emoluments do not include any gains made on the exercise of share options received under long term incentive schemes (2010: Nil).

Directors' interests in the shares of Sagentia, at 31 December 2011 and 31 December 2010, and any changes subsequent to 31 December 2011, are as follows:

Sagentia Group plc Ordinary shares of £0.01	**Options**				**Shares**	
Year ended 31 December	**2011**	2010	**2011**	2010	**2011**	2010
	Average exercise price (pence)		**Number**		**Number**	
Elton	**55.8**	51.0	**600,000**	500,000	**101,914**	101,914
Hudson	**35.2**	32.2	**1,600,000**	1,500,000	**94,411**	65,000
Ratcliffe	**40.0**	40.0	**2,500,000**	2,500,000	**12,512,906**	12,512,906
Courtley	**-**	-	**-**	-	**375,000**	375,000
			4,700,000	4,500,000	**13,084,231**	13,054,820

Options granted to Directors during 2011 were as follows:

Ordinary £0.01 shares of Sagentia Group plc	**Average exercise price (pence)**	**Approved share options Number**	**Unapproved share options Number**	**Incentive share options Number**	**31 December 2011 Number**
Elton	80.0	37,500	62,500	-	100,000
Hudson	80.0	-	100,000	-	100,000
		37,500	**162,500**	**-**	**200,000**

See Note 18 for further details on option plans. No Directors made any gain on the exercise of share options during the year and no options were exercised by directors.

Notes to the Financial Statements continued

9 Income tax

The tax (charge) / credit comprises:

Year ended 31 December	2011 £000	2010 £000
Foreign taxation	**9**	49
Current taxation	**(211)**	-
Deferred taxation (Note 10)		
- tax losses available	**124**	112
- other temporary differences	**-**	4
	124	116
	(78)	165

The tax on Sagentia's profit 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:

	2011 £000	2010 £000
Profit before tax	**3,346**	2,152
Tax calculated at domestic tax rates applicable to profits(losses) in the respective countries	**(916)**	(633)
Expenses not deductible for tax purposes	**(16)**	(222)
Income not subject to tax	**-**	2
Accelerated capital allowances	**2**	(97)
R&D tax relief	**-**	278
Adjustment in respect of prior periods	**(22)**	-
Other temporary differences	**(2)**	2
Tax losses for which no deferred income tax asset was recognised	**(123)**	(293)
Movement in deferred tax due to change in tax rate	**(64)**	(20)
Utilisation of tax losses	**1,063**	1,148
Tax (charge) / credit	**(78)**	165

The weighted average statutory applicable tax rate was 26.7% (2010: 26.3%).

The Group has available tax losses of approximately £24.5 million (2010: £27.1 million).

10 Deferred income tax

	2011 £000	2010 £000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**2,856**	2,902
Deferred tax asset to be recovered within 12 months	**381**	338
	3,237	3,240
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(2,437)**	(2,564)
	(2,437)	(2,564)
Total	**800**	676

Notes to the Financial Statements continued

10 Deferred income tax (continued)

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

	2011 £000	2010 £000
Beginning of the year	**676**	560
Income statement credit (Note 9)	**124**	116
End of year	**800**	676

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

	Deferred tax liability £000	Deferred tax asset £000	**Total £000**
At 1 January 2010	**(2,568)**	**3128**	**560**
Charged to the income statement	4	112	116
At 31 December 2010	**(2,564)**	**3,240**	**676**
Charged to the income statement	127	(3)	124
At 31 December 2011	**(2,437)**	**3,237**	**800**

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

Group	**Provided**		**Not provided**	
Deferred taxation is attributable to:	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Accelerated capital allowances	**(2,341)**	(2,564)	**-**	-
Tax losses available	**2,819**	3,240	**2,824**	3,797
Other temporary differences	**322**	-	**5**	79
Deferred tax asset	**800**	676	**2,829**	3,876
Tax losses relating to deferred tax asset not recognised	**-**	-	**11,316**	13,560

Decrease in tax losses relating to deferred tax asset not recognised as a result of significant reduction in tax losses carried forward (see Note 9).

Company	**Provided**		**Not provided**	
Deferred taxation is attributable to:	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Tax losses available	**-**	-	**6**	29
Other temporary differences	**-**	-	**7**	6
Deferred tax asset	**-**	-	**13**	35
Tax losses relating to deferred tax asset not recognised	**-**	-	**52**	104

Notes to the Financial Statements continued

11 Earnings per share

The calculation of earnings per share is based on the following result and numbers of shares:

	2011 £000	2010 £000
Profit for the financial year from continuing operations	**3,268**	2,295
Profit for the financial year (including discontinued operations)	**2,588**	2,295

Weighted average number of shares:	2011 Number	2010 Number
For basic earnings per share	**41,733,574**	33,011,266
For fully diluted earnings per share	**44,666,713**	33,563,343

The profit for the financial year (including discontinued operations) is stated after the recycling of accumulated translation reserves through the income statement following the liquidation of Sagentia Group AG.

Only the share options granted, as disclosed in Note 18, are dilutive.

Basic earnings per share for continuing operations in 2011 were 7.8 pence (2010: 7.0 pence). Fully diluted earnings per share from continuing operations were 7.3 pence (2010: 6.8 pence).

Basic earnings per share (including discontinued operations) in 2011 were 6.2 pence (2010: 7.0 pence). Fully diluted earnings per share (including discontinued operations) were 5.8 pence (2010: 6.8 pence).

Notes to the Financial Statements continued

12 Property, plant and equipment

Group	Freehold land and buildings £000	Furniture and fittings £000	Equipment £000	Total £000
At 1 January 2010				
Cost	16,682	1,458	1,745	19,885
Accumulated depreciation	(2,731)	(1,192)	(1,628)	(5,551)
Net book amount	**13,951**	**266**	**117**	**14,334**
Year ended 31 December 2010				
Opening net book amount	13,951	266	117	14,334
Exchange differences on cost	(1)	2	3	4
Exchange differences on depreciation	2	-	(3)	(1)
Additions	3	134	32	169
Disposals	-	(54)	(80)	(134)
Depreciation charge	(86)	(186)	(50)	(322)
Depreciation on disposals	-	12	50	62
Closing net book amount	**13,869**	**174**	**69**	**14,112**
At 31 December 2010				
Cost	16,684	1,540	1,700	19,924
Accumulated depreciation	(2,815)	(1,366)	(1,631)	(5,812)
Net book amount	**13,869**	**174**	**69**	**14,112**
Year ended 31 December 2011				
Opening net book amount	13,869	174	69	14,112
Exchange differences on cost	1	(2)	(6)	(7)
Exchange differences on depreciation	(1)	2	6	7
Additions	-	106	133	239
Disposals	-	-	-	-
Depreciation charge	(76)	(78)	(77)	(231)
Depreciation on disposals	-	-	-	-
Closing net book amount	**13,793**	**202**	**125**	**14,120**
At 31 December 2011				
Cost	16,685	1,644	1,827	20,156
Accumulated depreciation	(2,892)	(1,442)	(1,702)	(6,036)
Net book amount	**13,793**	**202**	**125**	**14,120**

The property is held at cost less depreciation. Included within land and buildings for Sagentia is freehold land, to the value of £1,360,000 (2010: £1,360,000) which has not been depreciated. Cumulative interest capitalised up to 31 December 2003 was £340,000. No further interest has been capitalised since. The property was last valued during July 2010 by Savills for Lloyds TSB. Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation range for the building was between £11.9 million based on occupational tenancies where the head lease is merged into the Freehold Interest, and not less than £14.0 million under a sale and leaseback scenario. The Directors therefore do not believe that the carrying value of the property is significantly different to its fair value.

The property generated rental and services income of £1,370,000 in 2011 (2010: £1,280,000). The interest in freehold land and buildings has been charged as security to the bank loan (see Note 19).

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

Notes to the Financial Statements continued

13 Investments

Non-current assets for the Company, represents investment in Sagentia Holdings Ltd and Sagentia Ltd of £10,559,000 (2010: £10,559,000).

	Group		
Non-current assets classified as held for sale	**Quoted equity investments £000**	**Unquoted equity investments £000**	**Total £000**
Fair value, January 2010	**-**	**1,441**	**1,441**
Change in fair value	-	(417)	(417)
Fair value, December 2010	**-**	**1,024**	**1,024**
Fair value, January 2011	**-**	**1,024**	**1,024**
Non-current assets listed in the year	801	(801)	-
Disposals proceeds	(706)	(238)	(944)
Gain (loss) on disposals	(95)	15	(80)
Fair value, December 2011	**-**	**-**	**-**

Group investments
Sagentia held investments in the following subsidiaries at 31 December 2011. To avoid a statement of excessive length, details of investments that are not significant have been omitted.

Subsidiaries of Sagentia Group plc	**Note**	**Country of incorporation**	**Principal activity**	**Shares held**	**%**
Consulting operations					
Sagentia Holdings Limited*		England	Holding company	Ordinary	100
Sagentia Limited*		England	Consultancy	Ordinary	100
Manage5Nines Limited	1	England	IT Consultancy	Ordinary	100
Sagentia Inc		USA	Consultancy	Ordinary	100
Sagentia Gmbh	2	Germany	Consultancy	Ordinary	100
Sagentia SGAI Limited	2	Hong Kong	Consultancy	Ordinary	100

* Direct subsidiaries of Sagentia Group plc as at 31 December 2011.
All subsidiaries for which accounts are provided have year ends of 31 December.

1. Minority stake of 20% acquired on 14 January 2011 to increase Sagentia shareholding to 100%.
2. In process of being dissolved – liquidation anticipated to be completed in 2013.

Notes to the Financial Statements continued

14 Trade and other receivables

	Company		Group	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Current assets:				
Trade receivables	**-**	-	**2,415**	3,794
Provision for impairment	**-**	-	**(57)**	(345)
Trade receivables – net	**-**	-	**2,358**	3,449
Amounts recoverable on contracts	**-**	-	**70**	125
Other receivables	**-**	-	**12**	22
Amounts owed by group undertakings	**9,156**	-	**-**	-
VAT	**9**	3	**13**	58
Prepayments and accrued income	**8**	1	**423**	433
	9,173	4	**2,876**	4,087

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

All of Sagentia's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were considered to be impaired and a provision of £57,000 (2010: £345,000) has been provided at 31 December. In addition, some of the unimpaired trade receivables are past due as at the reporting date.

	Company		Group	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Provision brought forward	**-**	-	**345**	273
Debts written off	**-**	-	**(223)**	(73)
Provision released	**-**	-	**(122)**	(182)
Provision made	**-**	-	**57**	327
Provision carried forward	**-**	-	**57**	345

The age of trade receivables overdue but not impaired is as follows:

	Company		Group	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Not more than 3 months	**-**	-	**603**	951
More than 3 months but not more than 6 months	**-**	-	**2**	19
More than 6 months but not more than 1 year	**-**	-	**-**	-
More than 1 year	**-**	-	**-**	-
	-	-	**605**	970

15 Cash and cash equivalents

	Company		Group	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Short term bank deposits	**10,075**	11,907	**15,100**	11,916
Cash at bank and in hand	**22**	(6)	**6,098**	4,514
	10,097	11,901	**21,198**	16,430

Notes to the Financial Statements continued

16 Current liabilities

		Company		Group	
	Note	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Trade and other payables - current					
Payments received on account		**-**	-	**1,054**	1,633
Trade payables		**3**	3	**346**	449
Other taxation and social security		**57**	78	**459**	467
Amounts owed to group undertakings	22	**-**	4,757	**-**	-
VAT		**-**	-	**-**	17
Accruals		**368**	315	**3,468**	2,861
		428	5,153	**5,327**	5,427
Bank borrowings	19	**-**	-	**800**	800
Other borrowings	19	**-**	-	**35**	-
Current tax liabilities		**4**	-	**180**	38
		432	5,153	**6,342**	6,265

17 Other non-current liabilities

		Company		Group	
	Note	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Bank borrowings	19	**-**	-	**6,200**	7,000
Other borrowings	19	**-**	-	**32**	-
		-	-	**6,232**	7,000
Other payables		**-**	-	**-**	247
Deferred income tax liabilities		**-**	-	**2,437**	2,564
		-	-	**8,669**	9,811

18 Called-up share capital

	2011 £000	2010 £000
Authorised		
Ordinary shares of £0.01 each	**465**	465
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	**418**	417
	Number	Number
Authorised		
Ordinary shares of £0.01 each	**46,534,390**	46,534,390
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	**41,841,095**	41,723,595

Notes to the Financial Statements continued

18 Called-up share capital (continued)

Reconciliation of outstanding options	**2011**		2010	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
At beginning of year	**6,486,348**	**37.6**	3,134,485	25.4
Granted during year	**780,000**	**80.0**	4,819,868	43.0
Exercised during year	**(117,500)**	**17.5**	-	-
Lapsed during the year	**(672,078)**	**39.9**	(1,468,005)	29.5
At end of year	**6,476,770**	**44.0**	6,486,348	37.6

Exercise of an option is subject to continued employment, and normally lapses within six months of leaving employment.

All options granted during 2011 were valued using a binomial pricing model. Market performance conditions were included in the fair value calculations; specifically the share price being 120.0 pence per ordinary share for 20 consecutive trading days, are required to be met before these options become exercisable. Vesting period has been assumed to be 3 years.

All options granted during 2010 were valued using the Monte-Carlo option-pricing model. Market performance conditions were included in the fair value calculations; specifically the share price being 80.0 pence per ordinary share for 20 consecutive trading days, are required to be met before these options become exercisable. These performance conditions were met during 2011.

All other options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations; expected dividends were assumed to be nil; possibility of ceasing employment before vesting was assumed to be nil. The risk free rate was taken as 3.0%. Volatility is taken from data over an appropriate time period, usually being a 100 day rolling average. Other assumptions which varied with the option issue are given in the table below.

The total charge for the year relating to employee share based payment plans was £206,000 (2010: £63,000), all of which related to equity-settled share based payment transactions. The fair value per option granted and the assumptions used in the calculation are included in the table below.

At 31 December 2011, options granted to subscribe for ordinary shares of the company are as follows:

Date of grant	**Option exercise period**		**Number of shares under option**						
	From (a)	**To**	**Approved scheme**	**Unapproved scheme**	**Incentive scheme**	**Exercise Price (pence) (b)**	**Fair Value of options (pence)**	**Life (years)**	**Volatility**
Dec 2007	Dec 2009	Dec 2017	-	155,940	-	45.0	28.8	10	58%
Oct 2009	Oct 2012	Oct 2019	45,000	-	-	17.5	9.9	10	42%
Oct 2009	Oct 2012	Oct 2019	166,666	83,334	-	17.5	10.3	10	42%
Dec 2009	Dec 2012	Dec 2019	390,000	250,000	-	15.5	8.8	10	42%
Jun 2010	Jun 2013	Jun 2020	-	-	3,500,000	40.0	8.0	10	35%
Jul 2010	Jul 2013	Jul 2020	425,000	72,423	608,407	51.0	14.0	10	35%
Oct 2011	Oct 2014	Oct 2021	357,874	422,126	-	80.0	32.9	10	65%
			1,384,540	**983,823**	**4,108,407**				

(a) Subject to earlier exercise in certain limited circumstances
(b) The exercise price is also the share price at date of grant

Notes to the Financial Statements continued

19 Borrowings

Group	Note	2011 £000	2010 £000
Non-current			
Bank borrowings	17	**6,200**	7,000
Other borrowings	17	**32**	-
		6,232	7,000
Current			
Bank borrowings	16	**800**	800
Other borrowings	16	**35**	-
		835	800
Total borrowings		**7,067**	7,800

Sagentia Group plc had no bank borrowings at the start or end of the year.

In October 2010, the Group arranged a new 5 year loan of £8.0 million, on which interest is payable based on LIBOR plus 2.50% margin. The loan is secured on the freehold property and associated lease structure and, subject to a minimum cash balance of £2.0million, it is not subject to covenants related to the operating performance of the Consultancy business.

At 31 December 2011, £7,000,000 (2010: £7,800,000) is outstanding and is repayable by Sagentia Ltd to Lloyds TSB Bank plc.

In accordance with an agreed repayment schedule with the bank, bank borrowings are repayable to Lloyds TSB Bank plc as follows:

	Company		Group	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Within one year	**-**	-	**800**	800
Between 1 and 2 years	**-**	-	**800**	800
Between 2 and 5 years	**-**	-	**5,400**	6,200
Over 5 years	**-**	-	**-**	-
	-	-	**7,000**	7,800

In October 2010, an interest rate swap agreement was taken out, the effect of which is to fully hedge the interest payments on the bank facility borrowings. The swap is designated as the variable rate interest payable on the repayment loan facility of £8.0m provided by Lloyds TSB Bank plc. The interest rate swap is contracted over the same period of the loan at a fixed rate of 2.21%pa, effectively fixing the Group's interest payments on the repayment loan facility at 4.71%pa, plus regulatory costs.

Other borrowings relate to Carbon Trust loans which are interest free. £35,000 is repayable within one year and £32,000 between 1 and 2 years.

Notes to the Financial Statements continued

20 Commitments

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

	Company		Group	
Plant and equipment lease commitments	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Operating lease payments:				
- Within 1 year	**-**	-	**14**	3
- Between 1 and 5 years	**-**	-	**1**	11
			15	14
Property lease rentals				
Operating lease payments:				
- Within 1 year	**-**	-	**-**	-
- Between 1 and 5 years	**-**	-	**-**	31
	-	-	**-**	31
	-	-	**15**	45

21 Capital and other financial commitments

At 31 December 2011 the Group and the Company had commitments of £Nil (2010: £Nil). The Group had a committed un-drawn loan facility of £Nil at 31 December 2011 (2010: £Nil).

At 31 December 2011, the Group had a 5 year loan facility of £8.0 million secured on Harston Mill, Harston, near Cambridge, UK, of which £8.0 million (2010: £8.0 million) had been drawn down and the balance at 31 December 2011 was £7.0 million. This facility is repayable in October 2015 as detailed in Note 19. The Company has no loan facility at 31 December 2011 (2010: £Nil).

22 Related party transactions

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

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

Company	**2011 Loans £000**	**2011 Sale of goods and services £000**	2010 Loans £000	2010 Sale of goods and services £000
Sagentia Limited	**(9,156)**	**629**	4,757	243
Sagentia Inc	**-**	**35**	-	15
Sagentia SGAI	**-**	**9**	-	22
Manage5Nines Limited	**-**	**39**	-	20
	(9,156)	**712**	4,757	300

The amount receivable from Sagentia Ltd arose as a result of the restructuring of the Group and intragroup dividends.

During the year, IT consultancy services of £Nil (2010: £1,100) were provided by Microgen plc, to Sagentia, and Microgen plc ordered IP consultancy services from Sagentia of £38,500 (2010: £Nil). Microgen plc owed £38,500 (net of VAT) at the year-end. Martyn Ratcliffe is Chairman and a shareholder of Microgen plc.

Key management personnel are the Directors of Sagentia. Remuneration to key management personnel is disclosed in note 8.

Notes to the Financial Statements continued

23 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.

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

(a) Fair value of investments
Note 2.8 sets out the accounting judgements made to calculate the fair value of investments. These calculations require the use of estimates and assumptions on both the recoverability of the loans or deferred consideration receivable and ability to dispose of the asset for value on an individual investment basis.

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

(c) Accounting for freehold property at Harston Mill
Sagentia owns and maintains the freehold property at Harston Mill for use in the supply of its Core consultancy services and for administrative purposes. Whilst there is remaining space on site not required to fulfil these activities Sagentia lets out space to third party tenants. The revenues and costs attributable to this activity are disclosed as 'Other' activities within the business segment disclosures. Given that this is not a core activity of the Group the property is not accounted for as an Investment property.

24 Post balance sheet event

On 31 January 2012 Sagentia Sensors Limited was dissolved.

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SAGENTIA GROUP PLC