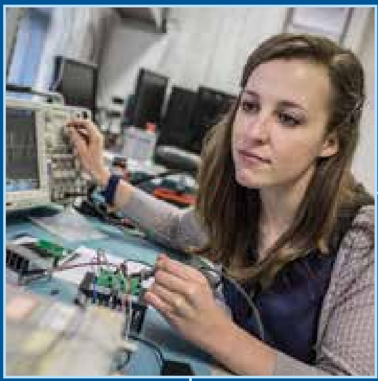


Annual Report and Financial Statements

2012

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 markets from its headquarters in Harston, near Cambridge, UK, with a sales and support office in Boston, 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

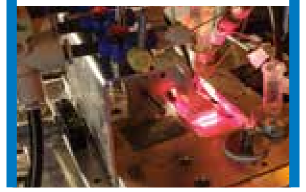
Medical
Sagentia delivers innovative product developments and related services for a wide range of medical applications, including point of care diagnostics, surgical devices and patient care products.

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

Front end innovation

Concept generation and technology invention

Technology and product development



Delivery and transfer to manufacture

Needs identification / VoC
Market analysis
IP landscaping
Technical due diligence
Concept visioning
Technology assessment
Technology realisation
Modelling & algorithms
Proof of principle
Systems architecture
Detailed design
Prototyping
A & B Models
Supplier due diligence
In process testing
Troubleshooting

Chairman's Statement

In the more difficult economic environment of the past year, Sagentia reports a very satisfactory operating performance for the year ended 31 December 2012, maintaining strong operating margins and cash flow. While the first half of the year was made more challenging by a large customer deciding not to continue with a project, the latter part of the year was particularly strong resulting in a return to both sequential and year-on-year growth.

Despite the significant challenges early in the year, Consultancy Fees for the year as a whole only declined by 1%, due to the recovery in the second half of the year which recorded revenue growth of 5.6% on the prior year and 9.1% on the first half of 2012. As anticipated, Product and Licence income declined on a comparative basis mainly due to 2011 benefitting from a one-off pre-production product manufacture for a European customer. As a result, Group revenues decreased by 5.5% to £22.3 million (2011: £23.6 million). However, operating profit, before the one-off charge related to the resignation of the Group's Chief Executive Officer in October 2012, remained unchanged at £3.9 million, a very strong operating margin of 17.6% (2011: 16.6%), and the corresponding adjusted profit before tax from continuing operations increased by 2.6% to £3.4 million (2011: £3.3 million). Statutory profit before tax from continuing operations decreased by 10.4% to £3.0 million (2011: £3.4 million) due to the one-off charge referred to above. With significant tax losses carried forward, the Board anticipate tax liabilities to be limited for the foreseeable future.

During the year, the Group undertook an active share buy-back programme, acquiring 5.4 million of its own shares, equivalent to 12.8% of the issued share capital, at a total cost of £4.5 million. Even after this significant return of capital to shareholders, due to continued focus on cash conversion and working capital, the cash balance at 31 December 2012 was £19.2 million (2011: £21.2 million), and net funds were £12.9 million (2011: £14.1 million). The balance sheet continues to be very strong with Shareholders' Funds of £25.3 million (2011: £26.4 million), approximately equal to the sum of the Group's cash balances and the carrying value of the Group's freehold property in Harston, net of the associated bank loan. Shareholders' Funds per share, based on the shares in issue (excluding shares held in treasury) at 31 December 2012 were 68.9 pence (2011: 63.1 pence), benefitting from both the continued strong profitability of the Group and the reduction in shares in issue following the buy-back programme.

Operational review

Sagentia's operations are based primarily in Harston, near Cambridge, UK. In November 2012 the Group relocated its US operation from Cambridge, Massachusetts, to Boston, in order to better support its North American customer base and enable continued expansion of the US operations, from which broadly half of the Group's revenue is derived. Most of the Group's consultants are managed through five skill groups (Science & Technology, Embedded Software, Mechanical Engineering & Design, Innovation Technology Management, and Project Management) and are deployed onto projects as required, providing the Group with the benefits of scale, customers with access to 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. Group headcount, excluding contract resources (approximately 40), at 31 December 2012 was 155, of which approximately 76% were fee-earning consultants (31 December 2011: 153 and approximately 27 contract resources).

In 2012, the top five clients accounted for approximately 46% (2011: 52%) and the top ten clients for approximately 64% (2011: 67%) of the Core Business revenues. The changes in revenue profile reflect a project suspension (see below) and also an increase in the average revenue achieved per client. This reflects the increasing focus on strategic sales initiatives by the Group and an emphasis on effective account management, balancing client concentration with reducing the cost of sale.

As noted above, in early 2012 a large Medical project in North America was suspended, impacting the first half of the year. As a result, revenue from Medical customers decreased to £10.5 million (2011: £14.0 million) and accounted for approximately 53% of Group Core Business revenue for the year (2011: 68%). Projects in the medical market are generally for large corporate or well-financed start-up organisations and therefore, while these large projects generally tend to provide Sagentia with greater demand visibility, they do also result in greater customer concentration and changed priorities by clients may impact on Sagentia's performance at short notice. The global medical market continues to be dominated by North American companies and approximately 64% of the revenue derived from Sagentia's Medical customers was sourced from North America (2011: 76%).

However, Sagentia reported strong growth of approximately 38% to £9.1 million (2011: £6.6 million) from the Group's Commercial customers. While the average project size from Commercial customers is generally smaller than for Medical projects, Sagentia has strong customer relationships with considerable repeat business from a number of large international organisations. Furthermore, the multi-year contract with a North American consumer products group awarded in 2011 combined with a new major customer in the Oil & Gas sector, resulted in the Group's top two clients by revenue being derived from the Commercial market. As a result, Commercial customers accounted for approximately 47% of the Group's Core Business revenue (2011: 32%) in the year.

Chairman's Statement continued

Board and management changes

In October 2012, after three years in the post, Brent Hudson stood down as Chief Executive Officer. Mr Hudson made a significant contribution to the successful turnaround of the Group and the Board wishes him well for the future. An exceptional charge of £435k is included in the income statement for the year relating to associated one-off charges, reflecting the settlement of contractual obligations by the Company and a discounted settlement of vested share options that could otherwise have been exercised.

Following Mr Hudson's resignation, Martyn Ratcliffe was appointed as Executive Chairman, with Mick Withers and Dan Edwards, formerly Head of the Medical and Commercial market groups respectively, being promoted to Joint Managing Directors of Sagentia Limited, the consultancy operating company, with responsibility for the day-to-day activities of the Group.

In October 2012 the Group also welcomed Michael Lacey-Solymar to the Board as a Non-Executive Director. Mr Lacey-Solymar has over 25 years' corporate finance experience, having spent 18 years at UBS and seven years at Investec, and his appointment is consistent with the Board's continued evaluation of acquisition opportunities.

Annual General Meeting

The Annual General Meeting ("AGM") will be held on 15th May 2013. In light of the Group's strong balance sheet and consistent performance, and responding to some shareholder representations, the Board considers that it is now appropriate for the Company to commence paying dividends. The Board recommends a dividend of 1.0 pence per share (2011: nil) which, subject to shareholder approval, will be payable on 7th June 2013 to shareholders on the register at the close of business on 17th May 2013. In future, the Board anticipates recommending a single dividend being paid each year.

The Board will also seek approval from shareholders at the AGM for authority to acquire up to 10% of the issued share capital of the Company so that, if deemed appropriate and in the best interests of shareholders, the Company may undertake further share purchases in the coming year. This authority will be conditional on the passing of a general authority Panel Waiver by shareholders and on Takeover Panel approval of a waiver of Rule 9 of the UK Code on Takeovers and Mergers.

Finally, the Board has undertaken a review of the Group's share option schemes and, in accordance with standard practice, the Board is proposing to revise the scheme rules to allow for the cashless exercise of options by option holders and to introduce a new Performance Share Plan. The Board will seek approval from shareholders at the AGM.

Prospects

In summary, 2012 had a difficult start to the year, with the Group experiencing the effects of the deterioration in the macro-economic environment and the Medical project being discontinued. The very satisfactory performance of the Group in terms of profitability and cash flow is therefore a credit to the management and staff of Sagentia. Furthermore, with greater focus on developing strategic market opportunities and targeted investment, together with the significant performance improvement in the Commercial customer segment, the second half of 2012 returned to revenue growth and provides a platform for the year ahead.

For a technology consultancy business of Sagentia's size, the Group's operating margins are towards the upper end of its peer group. Even in the more difficult market environment of the past year, these strong margins have been maintained. However, the Board is committed to balancing operating margin and investment in order that the Group's performance is sustained and shareholder value is enhanced over the medium term. As such, while in the current economic climate the Board will remain cautious and prudent in managing the business, Sagentia continues to explore and invest in growth opportunities.

The Board also continues to evaluate acquisition opportunities to accelerate the growth of the Group. During the year, numerous potential acquisitions were considered, including both listed and private companies and, in February 2013, Sagentia acquired QDA Limited, a small Cambridge based industrial design company, consideration for which is based primarily on earn-out targets being achieved over the next three years. Sagentia remains active in its pursuit of attractive acquisition opportunities and, although there can be no certainty that any transaction will occur, the Board is currently in discussions regarding a number of potential opportunities.

Martyn Ratcliffe
Chairman

Financial Review

In the twelve months ended 31 December 2012, the Group generated revenue of £22.3 million (2011: £23.6 million) with the main reduction being in Product and Licence Income, while Consultancy Fees held broadly flat with just a 1% reduction and growth returning in the second half of the year. Operating profit, before the one-off charge related to the resignation of the Chief Executive Officer in October 2012, remained unchanged at £3.9 million, an operating margin of 17.6% (2011: 16.6%), and the corresponding adjusted profit before tax from continuing operations increased by 2.6% to £3.4 million (2011: £3.3 million). Statutory profit before tax from continuing operations decreased by 10.4% to £3.0 million (2011: £3.3 million) due to the one-off charge referred to above.

Due to the significant tax losses carried forward in the UK and US subsidiaries, approximately £23.0 million at 31 December 2012 (2011: £24.5 million), the tax liabilities on profits are anticipated to be minimal and relate largely to the profits generated on the property rental activities at Harston Mill.

Based on the average number of shares in issue during the year, basic earnings per share from continuing operations increased to 7.9 pence (2011: 7.8 pence) and diluted earnings per share from continuing operations increased to 7.5 pence (2011: 7.3 pence). After stripping out the effect of the one-off charge in the year, diluted earnings per share from continuing operations increased to 8.5 pence, a 16% year-on-year increase.

The Group reports its results under two business segments (see Note 4). The 'Core Business' represents all revenues derived from R&D Consultancy (comprising Technology 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 (Manage5Nines Limited, a wholly owned subsidiary) and property income.

Revenue from Core Business activities declined by 6.4% to £19.6 million, compared with £20.9 million in 2011, although, as noted above, Consultancy Fees were down just 1% and returned to growth in the second half of the year. Revenue from Core Business operations includes materials used in projects recharged to customers of £1.5 million (2011: £1.8 million), and product and licence revenue of £0.2 million (2011: £1.1 million). The year-on-year decline reflects one-off product sales in 2011, not repeated in 2012, as well as a reduction in licence income in the second half of 2012 as a number of legacy licence agreements reached their termination dates.

Other revenue includes property income from rental space let in the Harston Mill facility of £1.4 million (2011: £1.4 million). The Harston Mill property currently has a total of 10 tenants (2011: 12 tenants). Approximately 7,700 square feet, or 25% of the total lettable area became available at the beginning of 2013 and is currently being marketed. Other revenue also includes IT support (including materials) through Manage5Nines Limited totalling £1.3 million (2011: £1.3 million).

The Group has a strong balance sheet with Shareholders' Funds at 31 December 2012 of £25.3 million, equivalent to 68.9 pence per share (2011: Shareholders' Funds of £26.4 million, equivalent to 63.1 pence per share), representing a 9.2% year-on-year increase in Shareholders' Funds per share. The gross cash position at 31 December 2012 was £19.2 million, (2011: £21.2 million) and net funds were £12.9 million (2011: £14.1 million), after the share buy-back costs of £4.5 million and repayments on the bank loan of £0.8 million. Net cash generated from operating activities was £3.7 million (2011: £4.7 million) and debtor days were 31 days (2011: 44 days). The loan balance of £6.2 million at 31 December 2012 (2011: £7.0 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. It should be noted that, as in previous years, the year-end cash position is enhanced by seasonal factors, particularly management and employee bonus payments accrued in 2012 and payable in March 2013.

Following approval at the Annual General Meeting in April 2012, the Company has since acquired 5.4 million of its own shares for £4.5 million in a share buy-back at an average price of 82.8 pence per share. The Company has also issued 0.2 million shares by way of settlement of exercised share options during the year. The net effect is that there has been a net reduction in the issued share capital (excluding treasury shares) of 12.8% from 42,042,035 to 36,665,591.

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 auditors' report for the year ended 31 December 2012.

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 and Commercial markets.

A review of Sagentia's activities is contained in the Chairman's Statement. 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 £22.3 million (2011: £23.6 million) of which R&D Consultancy revenue was £19.4 million (2011: £19.9 million)
- Operating profit was £3.4 million (2011: £3.9 million)
- Profit before income tax from continuing operations was £3.0 million (2011: £3.3 million)
- Profit attributable to equity holders of the parent from continuing operations was £3.1 million (2011: £3.3 million)
- Net funds were £12.9 million (2011: £14.1 million)
- Debtor days were 31 (2011: 44)
- Combined debtor and WIP days were 11 (2011: 34)

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	34.13
Legal & General Investment Management	4,683,539	12.77
Hargreave Hale	3,246,000	8.85
Ruffer LLP	2,980,000	8.13
Charles Stanley & Co	2,511,236	6.85

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 or cancel 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 for a diversity of customers in a number of market sectors, across a variety of technologies; and providing career development paths and training support.

Report of the Directors 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; 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 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.

Election of Directors
Michael Lacey-Solymar was appointed by the Board during the year, and as such will offer himself for re-election at the next Annual General Meeting. David Courtley will retire by rotation and offer himself for re-election at the next Annual General Meeting.

Dividends
The Directors propose to pay a dividend of 1 pence per share for the year ended 31 December 2012 (2011: £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 2012	Date of (re-) appointment	Retired	Board Committee
Martyn Ratcliffe	Chairman	16/04/12		N
Neil Elton	Finance Director	16/05/11		
David Courtley†	Non-Executive	20/05/10		A N R
Michael Lacey-Solymar†	Non-Executive	11/10/12		A N R
Keith Glover†	Non-Executive	16/04/12		A N R
Brent Hudson	Chief Executive	16/05/11	31/10/12	

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.

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.

David Courtley* – Non-Executive Director
David Courtley was appointed a Non-Executive Director on 15 April 2010. He was previously Chief Executive of Fujitsu Services Ltd and Chief Executive of Phoenix IT Group plc. He has a degree in Mathematics from Imperial College, London.

* Retire by rotation at the next AGM

Michael Lacey-Solymar – Non-Executive Director
Michael was appointed a Non-Executive Director on 11 October 2012. Michael has over twenty five years corporate finance experience, having spent eighteen years at UBS and seven years at Investec. He is currently a partner at Opus Corporate Finance LLP.

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 2012 and 31 December 2011, and any changes subsequent to 31 December 2012, 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, primarily on behalf of its clients but also on its own behalf.

Employment policies
Sagentia's employment policies are non-discriminatory on the grounds of age, gender, nationality, ethnic or racial origin, non-job-related-disability, sexual orientation 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 Executive Management 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 2012 represents a creditor payment period of 3 days (2011: 15 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 2012 were £6,235 (2011: £5,540). No political donations were made in the year (2011: £Nil).

Post balance sheet events
On 14th February 2013, the Group acquired the entire share capital of QDA Limited. QDA Limited is an industrial design agency operating primarily in the consumer sector. Consideration is based primarily on an earn-out agreement over three years with an initial consideration of £20,000 and a maximum consideration earn-out payable of 180,000 shares in Sagentia Group plc.

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.

The Directors confirm that in so far as each of the Directors is aware:

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

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

Corporate Governance Report

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 UK Corporate Governance Code
Sagentia has, where practicable, complied throughout the year with the Provisions of the Code of Best Practice set out in the UK Corporate Governance Code except for the following matters:

- 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
- the role of Chairman and Chief Executive was exercised by the same individual with effect from 1 November 2012. The Executive Chairman is primarily responsible for strategy, corporate development and running of the Board. The effective day-to-day management and running of the Group is undertaken by the Joint Managing Directors of Sagentia Limited and the Finance Director.

Statement about applying the principles of the Code
Sagentia is committed to the principles of corporate governance contained in the UK Corporate Governance 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 2012, the Board comprised a Chairman, Finance Director and three 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 Finance Director present.

The Chairman is primarily responsible for the working of the Board of Sagentia Group plc and Group corporate strategy, the running of the business and implementation of the Board strategy and policy. The Chairman is assisted in the managing of the business on a day-to-day basis by the joint Managing Directors of Sagentia Limited, the main operating company of the Group, 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 joint Managing Directors within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board met 16 times during 2012 (2011: 16). 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 of 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 comprehensive 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.

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 2012 the remuneration package comprised salary, pension contributions, healthcare and life assurance benefits, a company bonus scheme and, where appropriate, share options. From 2013, new graduates also receive a contribution towards repayment of student loans during their first three years of employment.

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 Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar, David Courtley and Keith Glover. The Audit Committee met 3 times during 2012 (2011: 3). 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 Keith Glover and Michael Lacey-Solymar. The Remuneration Committee met 5 times during 2012 (2011: 6). It may take advice from time to time from external advisers, but did not do so in 2012. 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, Michael Lacey-Solymar and Keith Glover. The Nomination Committee met 2 times during 2012 (2011: 2). It may take advice from time to time from external advisers, but did not do so in 2012. 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 2012 were as follows:

	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held in 2012	16	3	5	2
Martyn Ratcliffe	16/16	3/3*	4/5†	2/2
Neil Elton	16/16	3/3*	3/5*	-
David Courtley	15/16	3/3	5/5	2/2
Professor Keith Glover	15/16	2/3	5/5	2/2
Michael Lacey-Solymar	4/4	1/1	2/2	-
Brent Hudson	12/14	2/2*	3/5*	-

* Attendance by invitation
† Stepped down from Remuneration Committee in October 2012

Report of the Directors continued

Report of the Remuneration Committee

Remuneration Committee
The Committee, which is chaired by David Courtley, also comprises Michael Lacey-Solymar and Professor 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 Chairman and Finance Director and reviews remuneration levels for all employees of Sagentia. In accordance with the provisions of the UK Corporate Governance 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 2012.

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. The Chairman does not participate in the performance-related bonus scheme
- benefits – include medical insurance, life assurance, pension contributions, student loan contributions and travel allowances. The Chairman does not receive these benefits
- 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 Chairman and Finance Director have employment contracts which contain 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. To date share options granted to the Chairman have been specifically approved by shareholders.

The market price of the shares at 31 December 2012 was 91.5 pence (31 December 2011: 87.5 pence). The highest and lowest price during the year was 94.0 pence and 72.0 pence respectively.

Report of the Directors continued

Report of the Audit Committee

Audit Committee
The Audit Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar, David Courtley and Professor Keith Glover. The Audit Committee met 3 times during 2012.

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 2010. 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 Finance Director and Sagentia's auditors during 2012. 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, Michael Lacey-Solymar and Keith Glover. The Nomination Committee met 2 times during 2012 (2011: 2).

During the year the Committee continued the search for a third independent Non-Executive Director and recommended the appointment of Michael Lacey-Solymar to the Board in October 2012.

Approval

The Report of the Directors was approved by the Board on 1 March 2013 and signed on its behalf:

By order of the Board	Harston Mill, Harston
Sarah Cole	Cambridge,
Company Secretary	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 2012 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 balance sheet, 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 2012 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
1 March 2013

Financial Statements

and Notes to the Financial Statements

Consolidated Income Statement

For the year ended 31 December 2012

		Group	
	Note	**2012 £000**	2011 £000
Revenue	4	**22,268**	23,568
Operating expenses	5	**(18,883)**	(19,662)
Operating profit	4	**3,385**	3,906
Net loss on disposal of non-current asset investments	13	**-**	(80)
Share based payment charge	7, 18	**(155)**	(206)
Profit before finance charges and tax		**3,230**	3,620
Finance costs	6	**(319)**	(353)
Finance income	6	**87**	79
Profit before income tax		**2,998**	3,346
Income tax	9	**126**	(78)
Profit for the year from continuing operations	11	**3,124**	3,268
Loss for the year from discontinued operations		**-**	(680)
Profit for the year	11	**3,124**	2,588
Profit for the year attributable to equity holders of the parent	11	**3,124**	2,588
Earnings per share			
Earnings per share from continuing operations (basic)	11	**7.9p**	7.8p
Earnings per share from continuing operations (diluted)	11	**7.5p**	7.3p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Group	
	2012 £000	2011 £000
Profit for the year	**3,124**	2,588
Other comprehensive income:		
Exchange difference on translating foreign operations	**(36)**	258
Recycled translation reserve	**-**	680
Other comprehensive income for the year, net of tax	**(36)**	938
Total comprehensive income for the year	**3,088**	3,526
Total comprehensive income for the year attributable to owners of the parent	**3,088**	3,526

Consolidated and Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2012

Group	Issued capital £000	Share premium £000	Treasury stock £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 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**
Balance at 1 January 2012	**418**	**7,538**	**-**	**10,343**	**258**	**1,038**	**6,825**	**26,420**	**-**	**26,420**
Purchase of own shares	-	-	(4,458)	-	-	-	-	**(4,458)**	-	**(4,458)**
New shares issued	2	43	-	-	-	-	-	**45**	-	**45**
Share based payment charge	-	-	-	-	-	155	-	**155**	-	**155**
Issue of shares out of treasury stock	-	-	7	-	-	-	(6)	**1**	-	**1**
Transactions with owners	**2**	**43**	**(4,451)**	**-**	**-**	**155**	**(6)**	**(4,257)**	**-**	**(4,257)**
Profit for the year	-	-	-	-	-	-	3,124	**3,124**	-	**3,124**
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	(36)	-	-	**(36)**	-	**(36)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(36)**	**-**	**3,124**	**3,088**	**-**	**3,088**
Balance at 31 December 2012	**420**	**7,581**	**(4,451)**	**10,343**	**222**	**1,193**	**9,943**	**25,251**	**-**	**25,251**

Company	Issued capital £000	Share premium £000	Treasury stock £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 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	**1**	**20**	**-**	**-**	**-**	143	**-**	**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**
Balance at 1 January 2012	**418**	**7,538**	**-**	**10,343**	**-**	**239**	**10,859**	**29,397**	**-**	**29,397**
Purchase of own shares	-	-	(4,458)	-	-	-	-	**(4,458)**	-	**(4,458)**
New shares issued	2	43	-	-	-	-	-	**45**	-	**45**
Share based payment charge	-	-	-	-	-	49	(6)	**43**	-	**43**
Issue of shares out of treasury stock	-	-	7	-	-	-	(6)	**1**	-	**1**
Transactions with owners	**2**	**43**	**(4,451)**	**-**	**-**	**49**	**(12)**	**(4,369)**	**-**	**(4,369)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,333**	**1,333**	**-**	**1,333**
Balance at 31 December 2012	**420**	**7,581**	**(4,451)**	**10,343**	**-**	**288**	**12,180**	**26,361**	**-**	**26,361**

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 in 2011 as a result of which the Merger reserve was reduced to £10.3 million and cumulative translation differences of £0.7 million were recycled to the consolidated income statement as a loss from discontinued operations.

Consolidated and Company Balance Sheet

At 31 December 2012

	Note	Company 2012 £000	Company 2011 £000	Group 2012 £000	Group 2011 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**-**	-	**14,302**	14,120
Investments	13	**10,559**	10,559	**-**	-
Deferred income tax assets	10	**-**	-	**3,323**	3,237
		10,559	10,559	**17,625**	17,357
Current assets					
Trade and other receivables	14	**5,770**	9,173	**3,027**	3,327
Cash and cash equivalents	15	**10,223**	10,097	**19,179**	21,198
		15,993	19,270	**22,206**	24,525
Total assets		**26,552**	29,829	**39,831**	41,882
LIABILITIES					
Current liabilities					
Trade and other payables	16	**180**	428	**6,096**	5,778
Current income tax liabilities	16	**11**	4	**32**	180
Other borrowings	16	**-**	-	**821**	835
		191	432	**6,949**	6,793
Non-current liabilities					
Borrowings	17	**-**	-	**5,411**	6,232
Deferred income tax liabilities	10, 17	**-**	-	**2,220**	2,437
		-	-	**7,631**	8,669
Total liabilities		**191**	432	**14,580**	15,462
Net assets		**26,361**	29,397	**25,251**	26,420
Shareholders' equity					
Share capital	18	**420**	418	**420**	418
Share premium		**7,581**	7,538	**7,581**	7,538
Treasury stock		**(4,451)**	-	**(4,451)**	-
Merger reserve		**10,343**	10,343	**10,343**	10,343
Translation reserves		**-**	-	**222**	258
Share based payment reserve		**288**	239	**1,193**	1,038
Retained earnings		**12,180**	10,859	**9,943**	6,825
Total equity		**26,361**	29,397	**25,251**	26,420

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

Neil Elton Finance Director
Martyn Ratcliffe Chairman
On 1 March 2013

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

Consolidated and Company Statement of Cash Flows

At 31 December 2012

		Company		Group	
	Note	2012 £000	2011 £000	2012 £000	2011 £000
Profit before income tax		**1,344**	11,948	**2,998**	3,346
Depreciation and amortisation charges		**-**	-	**236**	231
Loss on disposal of current asset investments		**-**	-	**-**	80
Share based payment charge		**49**	143	**155**	206
(Increase) decrease in receivables		**3,403**	(9,169)	**300**	760
Increase (decrease) in payables		**(247)**	(4,721)	**318**	104
Cash generated from operations		**4,549**	(1,799)	**4,007**	4,727
UK corporation tax received (paid) - net		**(11)**	(26)	**(264)**	(40)
Foreign corporation tax received (paid) - net		**-**	-	**(61)**	(20)
Cash flows from operating activities		**4,538**	(1,825)	**3,682**	4,667
Purchase of property, plant and equipment		**-**	-	**(417)**	(239)
Purchase of non-controlling interest		**-**	-	**-**	(150)
Sale of current assets investments		**-**	-	**-**	944
Cash flows from investing activities		**-**	-	**(417)**	555
Issue of ordinary share capital		**45**	21	**45**	21
Issue of shares out of treasury		**1**	-	**1**	-
Purchase of own shares		**(4,458)**	-	**(4,458)**	-
Repayment of bank loans		**-**	-	**(800)**	(800)
Proceeds from other loan		**-**	-	**-**	95
Repayment of other loan		**-**	-	**(35)**	(28)
Cash flows from financing activities		**(4,412)**	21	**(5,247)**	(712)
Increase (decrease) in cash and cash equivalents in the year		**126**	(1,804)	**(1,982)**	4,510
Cash and cash equivalents at the beginning of the year		**10,097**	11,901	**21,198**	16,430
Exchange gains (loss) on cash		**-**	-	**(37)**	258
Cash and cash equivalents at the end of the year	15	**10,223**	10,097	**19,179**	21,198

Notes to the Financial Statements

For the year ended 31 December 2012

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 in 2011.

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 Boston, Massachusetts.

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 2012, was 91.5 pence per share (31 December 2011: 87.5 pence).

These consolidated financial statements have been approved for issue by the Board of Directors on 4 March 2013.

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 2012, there was no impact on the presentation of the financial statements of Sagentia 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 the Company 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 £1,333,000 (2011: £11,922,000).

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2012 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
IAS 28 (Revised)	Investments in Associates and Joint Ventures	01-Jan-13
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
Amendments to IFRS 1	Government Loans	01-Jan-13
	Annual Improvements 2009-2011 Cycle	01-Jan-13
Amendments to IFRS 10,11 and 12	Transition Guide	01-Jan-13
Amendments to IFRS 10,12 and IAS 27	Investment Entities	01-Jan-14

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 24.

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. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on page 6. In addition, Notes 3 to 25 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 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 and a sale is expected 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).

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

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.

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 expected to accrue. There is no capitalised development on the balance sheet at 31 December 2012.

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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)
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

Acquired computer software licences are included within equipment. These are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

2.10 Trade and other payables
Trade and other payables are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.12 Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; 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.

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

Where the 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 are included in equity attributable to the Company's equity holders.

2.14 Revenue recognition
Consulting revenue represents the fair value of the consideration received or receivable for consulting services on each client assignment provided during the year based on the time worked at agreed fee rates, 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 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.

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

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:

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

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

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

(iv) 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

2.20 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:

2012 **£000**	**US$**	**Euro**	**HK$**	**Total**
Financial assets	1,733	204	2	1,939
Financial liabilities	(10)	(7)	-	(17)
Short term exposure	**1,723**	**197**	**2**	**1,922**
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Long term exposure	**-**	**-**	**-**	**-**

2011 **£000**	**US$**	**Euro**	**HK$**	**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	**-**	**-**	**-**	**-**

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 2012 (2011: 10.0%). A +/- 10.0% change is considered for the GBP/Euro exchange rate (2011: 10.0%). A +/- 10.0% change is considered for the GBP/Hong Kong dollar exchange rate (2011: 10.0%).

If the GBP had strengthened against the US dollar, Euro and Hong Kong dollar by 10.0% (2011: 10.0%) respectively then this would have had the following impact:

2012 **£000**	**US$**	**Euro**	**HK$**	**Total**
Income statement	(159)	(19)	-	(178)
Equity	(159)	(19)	-	(178)

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

The Company held no financial assets or liabilities in foreign currencies at the start or end of the year.

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% (2011: 10.0%) respectively then this would have had the following impact:

2012 £000	US$	Euro	HK$	Total
Income statement	193	24	-	217
Equity	193	24	-	217

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

The actual rate movement against the US dollar, Euro and Hong Kong dollar for the year was +5.0% (2011: +2.0%), +3.0% (2011: +3.0%) and +5.0% (2011: -3.0%) 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:

	2012 £000	2011 £000
Sterling – bank loan	**6,200**	7,000

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.

(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.

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)
(c) Credit risk analysis (continued)
Sagentia's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Company		Group	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Non-current assets classified as held for sale	**-**	-	**-**	-
Cash and cash equivalents	**10,223**	10,097	**19,179**	21,198
Trade and other receivables	**5,770**	9,173	**3,027**	3,327
	15,993	19,270	**22,206**	24,525

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 2012, Sagentia's liabilities have contractual maturities which are summarised below:

2012	Current		Non-current	
Within	**< 6 months £000**	**6 to 12 months £000**	**1 to 5 years £000**	**> 5 years £000**
Bank borrowings	**400**	**400**	**5,400**	**-**
Other borrowings	**11**	**10**	**11**	**-**
Net interest on bank borrowings	**144**	**134**	**396**	**-**
Trade payables	**63**	**-**	**-**	**-**
	618	**544**	**5,807**	**-**

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

2011	Current		Non-current	
Within	**< 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	-

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	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Current assets				
Loans and other receivables:				
- Trade receivables	**-**	-	**2,388**	2,358
- Financial receivables at amortised cost	**5,736**	9,156	**-**	-
Cash and cash equivalents	**10,223**	10,097	**19,179**	21,198
	15,959	19,253	**21,567**	23,556
Non-current liabilities				
Borrowings:				
- Financial liabilities at amortised cost	**-**	-	**5,411**	6,232
	-	-	**5,411**	6,232
Current liabilities				
Borrowings:				
- Financial liabilities at amortised cost	**-**	-	**821**	835
Trade payables:				
- Financial liabilities at amortised cost	**1**	3	**63**	346
	1	3	**884**	1,181

3.2 Fair value estimation
Financial assets and liabilities are measured at fair value in the balance sheet 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.

At 31 December 2012 and 31 December 2011 the financial assets and liabilities measured at fair value in the balance sheet were all valued at nil.

Notes to the Financial Statements continued

3 Financial risk management (continued)

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	
	2012 £000	2011 £000
Total Shareholders' Funds	**25,251**	26,420
Net Funds (cash less borrowings)	**12,947**	14,131
Freehold property at Harston Mill	**13,724**	13,793

Shareholders' Funds
In 2011 Sagentia Limited paid a dividend distribution to Sagentia Group plc of £8.0 million and a further £2.0 million in 2012. 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 2012 have resulted in the Company having distributable reserves of £12,180,000 at 31 December 2012 (2011: £10,859,000).

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. The Board will recommend the payment of a dividend of 1.0 pence per share at the forthcoming AGM. The Board anticipate recommending a single dividend being paid each year.

Net Funds
The net funds of the Group have reduced during 2012 as a result of the share buybacks undertaken by the Company. This has been offset through operating effective cash flow management 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 2012.

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 markets (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 2012	**Core Business £000**	**Other £000**	**Total £000**
Fees	17,930	-	17,930
IT support	-	796	796
Property income	-	1,363	1,363
Recharged project expenses	1,499	510	2,009
Product and licence income	170	-	170
Revenue	**19,599**	**2,669**	**22,268**
Operating profit	**3,285**	**100**	**3,385**
Share based payments			(155)
Profit before finance charges and tax			**3,230**
Finance charges			(232)
Profit before income tax			**2,998**
Tax credit			126
Profit for the year from continuing operations			**3,124**

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**

Notes to the Financial Statements continued

4 Segment information (continued)

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

	2012		2011	
	Revenue £000	**Non-current assets £000**	Revenue £000	Non-current assets £000
United Kingdom	**8,306**	**14,291**	6,618	14,120
Other European countries	**3,038**	**-**	3,821	-
North America	**10,924**	**11**	13,091	-
Other	**-**	**-**	38	-
Total	**22,268**	**14,302**	23,568	14,120

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 2012, £2.2 million or 11% (2011: £3.8 million; 18%) 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**	**2012 £000**	2011 £000
Employee remuneration and benefit expense (excluding share options)	7	**10,808**	10,886
Operating third party expenses		**2,891**	3,448
Occupancy costs		**1,539**	1,451
Equipment and consumables		**797**	618
Selling and marketing expenses		**1,309**	1,170
Depreciation of property, plant and equipment	12	**236**	231
Patent fees		**59**	82
Recruitment and training		**322**	652
Foreign currency losses (gains)		**46**	156
Other		**876**	968
		18,883	19,662

Included above	**Group**	
	2012 £000	2011 £000
Research and development*	**6,035**	7,326
Operating lease rentals		
- Plant and machinery	**17**	24
- Other	**-**	-
Auditors' remuneration		
Services to the Company and its subsidiaries:		
Fees payable to the Company's auditors for the audit of the financial statements	**10**	8
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**	27
Other non-audit fees	**12**	30

*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	**2012 £000**	2011 £000
Finance income		
Bank interest receivable and similar income	**87**	79
Finance costs		
Bank borrowings	**(319)**	(353)

7 Employee benefit expenses

Employment costs are shown below:

	Group	
Year ended 31 December	**2012 £000**	2011 £000
Wages and salaries (including bonuses and healthcare costs)	**9,049**	9,148
Social security costs	**1,275**	1,133
Share based payments	**155**	206
Pension costs	**484**	605
	10,963	11,092

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

	Group	
Year ended 31 December	**2012**	2011
Technology consultants	**124**	121
Marketing, support, administration and other technically-qualified staff	**32**	33
	156	154

8 Directors' remuneration, interests and transactions

Aggregate remuneration

Year ended 31 December	**2012 £000**	2011 £000
Short-term employee benefits	**675**	875
Post-employment pension and medical benefits	**24**	26
Termination benefits	**500**	-
Share based payment transactions	**49**	138
	1,248	1,039

The amounts shown were recognised as an expense during the year related to the Directors of the Company. Bonuses, pension and medical benefits are not paid to Non-Executive Directors.

Total social security costs related to Directors during the year was £119,000 (2011: £117,000).

Brent Hudson stood down as CEO effective 31 October 2012. A payment of £500,000 was made reflecting the settlement of contractual obligations and a discounted settlement of vested options that could otherwise have been exercised. A credit to the share based payment charge of £97,000 reflects the write-back of cumulative charges related to options that lapsed prior to the vesting conditions being achieved.

Notes to the Financial Statements continued

8 Directors' remuneration, interests and transactions (continued)

Directors' emoluments and benefits include:

Year ended 31 December 2012 **Name of Director**	**Salary/ fee £000**	**Bonus £000**	**Pension contribution £000**	**Taxable Benefits £000**	**Compensation for loss of office £000**	**Total £000**
Courtley	**30**	**-**	**-**	**-**	**-**	**30**
Elton	**155**	**62**	**12**	**8**	**-**	**237**
Glover	**30**	**-**	**-**	**-**	**-**	**30**
Hudson	**156**	**-**	**12**	**9**	**500**	**677**
Lacey-Solymar	**7**	**-**	**-**	**-**	**-**	**7**
Ratcliffe	**218**	**-**	**-**	**-**	**-**	**218**
Aggregate emoluments	**596**	**62**	**24**	**17**	**500**	**1,199**

Year ended 31 December 2011 Name of Director	Salary/ fee £000	Bonus £000	Pension contribution £000	Taxable Benefits £000	Compensation for loss of office £000	Total £000
Courtley	30	-	-	-	-	30
Elton	154	105	12	8	-	279
Glover	8	-	-	-	-	8
Hudson	175	159	14	11	-	359
Ratcliffe	225	-	-	-	-	225
Aggregate emoluments	592	264	26	19	-	901

Directors' emoluments and benefits are stated for the Directors of Sagentia Group plc only. In addition to above, a share based payment charge of £49,000 was recognised in the income statement relating to share options held by directors (2011: £138,000).

The above figures for emoluments do not include any gains made on the exercise of share options received under long term incentive schemes (2011: Nil).

Directors' interests in the shares of Sagentia, at 31 December 2012 and 31 December 2011, and any changes subsequent to 31 December 2012, are as follows:

Sagentia Group plc Ordinary shares of £0.01		**Options**			**Shares**	
Year ended 31 December	**2012**	2011	**2012**	2011	**2012**	2011
	Average exercise price (pence)		**Number**		**Number**	
Elton	**55.8**	55.8	**600,000**	600,000	**101,914**	101,914
Hudson*	**-**	35.2	**-**	1,600,000	**-**	94,411
Ratcliffe	**40.0**	40.0	**2,500,000**	2,500,000	**12,512,906**	12,512,906
Courtley	**-**	-	**-**	-	**375,000**	375,000
			3,100,000	4,700,000	**12,989,820**	13,084,231

*Brent Hudson stood down as CEO effective 31 October 2012. Mr Hudson did not exercise any options whilst he was a Director of the Company. Of the 1.6 million share options that had been granted to Mr Hudson, 1.1 million lapsed following his departure. 166,666 approved options had vested prior to his departure and the remaining 333,334 unapproved options, which had vested or would otherwise have vested per the Scheme Rules were waived as part of the settlement payment (see above).

There were no options granted to Directors during 2012.

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	2012 £000	2011 £000
Foreign taxation	**1**	9
Current taxation	**(178)**	(211)
Deferred taxation (Note 10)		
- tax losses available	**303**	124
- other temporary differences	**-**	-
	303	124
	126	(78)

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:

	2012 £000	2011 £000
Profit before tax	**2,998**	3,346
Tax calculated at domestic tax rates applicable to profits(losses) in the respective countries	**(734)**	(916)
Expenses not deductible for tax purposes	**(96)**	(16)
Fixed asset differences	**(42)**	-
Income not subject to tax	**7**	-
Accelerated capital allowances	**6**	2
Adjustment in respect of prior periods	**7**	(22)
Other temporary differences	**1**	(2)
Other short term timing differences	**4**	-
Tax losses for which no deferred income tax asset was recognised	**-**	(123)
Movement in deferred tax due to change in tax rate	**(71)**	(64)
Utilisation of tax losses	**1,044**	1,063
Tax (charge) / credit	**126**	(78)

The weighted average statutory applicable tax rate was 24.5% (2011: 26.7%).

The Group has available tax losses of approximately £23.0 million (2011: £24.5 million).

10 Deferred income tax

	2012 £000	2011 £000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**2,831**	2,856
Deferred tax asset to be recovered within 12 months	**492**	381
	3,323	3,237
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(2,220)**	(2,437)
	(2,220)	(2,437)
Total	**1,103**	800

Notes to the Financial Statements continued

10 Deferred income tax (continued)

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

	2012 £000	2011 £000
Beginning of the year	**800**	676
Income statement credit (Note 9)	**303**	124
End of year	**1,103**	800

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 2011	**(2,564)**	**3,240**	**676**
Charged to the income statement	127	(3)	124
At 31 December 2011	**(2,437)**	**3,237**	**800**
Charged to the income statement	217	86	303
At 31 December 2012	**(2,220)**	**3,323**	**1,103**

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:	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Accelerated capital allowances	**(2,220)**	(2,341)	**-**	-
Tax losses available	**3,015**	2,819	**1,729**	2,824
Other temporary differences	**308**	322	**-**	5
Deferred tax asset	**1,103**	800	**1,729**	2,829
Tax losses relating to deferred tax asset not recognised	**-**	-	**7,521**	11,316

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:	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Tax losses available	**-**	-	**6**	6
Other temporary differences	**-**	-	**-**	7
Deferred tax asset	**-**	-	**6**	13
Tax losses relating to deferred tax asset not recognised	**-**	-	**29**	52

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:

	2012 £000	2011 £000
Profit for the financial year from continuing operations	**3,124**	3,268
Profit for the financial year (including discontinued operations)	**3,124**	2,588

Weighted average number of shares:	**2012 Number**	2011 Number
For basic earnings per share	**39,567,939**	41,733,574
Dilutive effect of share options over Ordinary Shares	**2,124,631**	2,933,139
For fully diluted earnings per share	**41,692,570**	44,666,713

Only the share options granted, as disclosed in Note 18, are dilutive. The number of shares in issue (excluding treasury shares) at 31 December 2012 is 36,665,591.

Basic earnings per share for continuing operations in 2012 were 7.9 pence (2011: 7.8 pence). Fully diluted earnings per share from continuing operations were 7.5 pence (2011: 7.3 pence).

The profit for the 2011 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 in 2011. Basic earnings per share (including discontinued operations) in 2011 were 6.2 pence. Fully diluted earnings per share (including discontinued operations) were 5.8 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 2011				
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**
Year ended 31 December 2012				
Opening net book amount	13,793	202	125	14,120
Exchange differences on cost	(4)	-	(1)	(5)
Exchange differences on depreciation	4	-	2	6
Additions	-	267	150	417
Disposals	-	(1,026)	(1,293)	(2,319)
Depreciation charge	(69)	(95)	(72)	(236)
Depreciation on disposals	-	1,026	1,293	2,319
Closing net book amount	**13,724**	**374**	**204**	**14,302**
At 31 December 2012				
Cost	16,681	885	683	18,249
Accumulated depreciation	(2,957)	(511)	(479)	(3,947)
Net book amount	**13,724**	**374**	**204**	**14,302**

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 (2011: £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 property generated rental and services income of £1,363,000 in 2012 (2011: £1,370,000). Given the continuing rental values and occupancy rates the Directors do not believe that the carrying value of the property is significantly different to its fair value determined in 2010. The interest in freehold land and buildings has been charged as security to the bank loan (see Note 19).

Reviews of the fixed asset register in 2012 and 2011 have resulted in the writing off of a number of fully depreciated fixed assets that are no longer used in the business. These are classified as Disposals.

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 (2011: £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 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	**-**	**-**	**-**
Fair value, January 2012	**-**	**-**	**-**
Fair value, December 2012	**-**	**-**	**-**

Group investments
Sagentia held investments in the following subsidiaries at 31 December 2012. The Directors do not consider that any of its investments are associates and 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		England	IT Consultancy	Ordinary	100
Sagentia Inc		USA	Consultancy	Ordinary	100
Sagentia GmbH	1	Germany	Consultancy	Ordinary	100
Sagentia SGAI Limited	1	Hong Kong	Consultancy	Ordinary	100

* Direct subsidiaries of Sagentia Group plc as at 31 December 2012.

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

1. 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	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Current assets				
Trade receivables	**-**	-	**2,509**	2,415
Provision for impairment	**-**	-	**(121)**	(57)
Trade receivables – net	**-**	-	**2,388**	2,358
Amounts recoverable on contracts	**-**	-	**291**	521
Other receivables	**-**	-	**10**	12
Amounts owed by group undertakings	**5,736**	9,156	**-**	-
VAT	**16**	9	**-**	13
Prepayments and accrued income	**18**	8	**338**	423
	5,770	9,173	**3,027**	3,327

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 £121,000 (2011: £57,000) has been provided at 31 December. In addition, some of the unimpaired trade receivables are past due as at the reporting date.

	Company		Group	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Provision brought forward	**-**	-	**57**	345
Debts written off	**-**	-	**-**	(223)
Provision released	**-**	-	**(33)**	(122)
Provision made	**-**	-	**97**	57
Provision carried forward	**-**	-	**121**	57

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

	Company		Group	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Not more than 3 months	**-**	-	**556**	603
More than 3 months but not more than 6 months	**-**	-	**-**	2
More than 6 months but not more than 1 year	**-**	-	**-**	-
More than 1 year	**-**	-	**-**	-
	-	-	**556**	605

15 Cash and cash equivalents

	Company		Group	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Short term bank deposits	**10,140**	10,075	**15,186**	15,100
Cash at bank and in hand	**83**	22	**3,993**	6,098
	10,223	10,097	**19,179**	21,198

Notes to the Financial Statements continued

16 Current liabilities

	Note	Company 2012 £000	Company 2011 £000	Group 2012 £000	Group 2011 £000
Trade and other payables – current					
Payments received on account		-	-	1,811	1,054
Trade payables		1	3	63	346
Other taxation and social security		52	57	518	459
VAT		-	-	132	-
Accruals and deferred income		127	368	3,572	3,919
		180	428	6,096	5,778
Bank borrowings	19	-	-	800	800
Other borrowings	19	-	-	21	35
Current tax liabilities		11	4	32	180
		191	432	6,949	6,793

17 Other non-current liabilities

	Note	Company 2012 £000	Company 2011 £000	Group 2012 £000	Group 2011 £000
Bank borrowings	19	-	-	5,400	6,200
Other borrowings	19	-	-	11	32
		-	-	5,411	6,232
Deferred income tax liabilities		-	-	2,220	2,437
		-	-	7,631	8,669

18 Called-up share capital

	2012 £000	2011 £000
Ordinary shares of £0.01 each	465	465
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	420	418
	Number	Number
Ordinary shares of £0.01 each	46,534,390	46,534,390
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	42,042,035	41,841,095

On 28 November 2011 the Company announced that an application had been made to the London Stock Exchange for the admission to trading on AIM of a blocklisting of 318,440 ordinary shares of 1 pence each. During the year ended 31 December 2012 the Company allotted the remaining balance of 200,940 ordinary shares issued under this blocklisting in settlement of the exercise of various options. As a result the allotted, called-up and fully paid share capital of the Company increased from 41,841,095 as at 31 December 2011 to 42,042,035 shares as at 31 December 2012.

During the year the Company purchased 5,385,555 of its 1 pence ordinary shares for an average price of 82.8 pence per share which it held in treasury. Of the ordinary shares held in treasury the Company re-issued 9,111 shares in settlement of the exercise of share options.

Notes to the Financial Statements continued

18 Called-up share capital (continued)

As at 31 December 2012 the total number of ordinary shares in issue (excluding treasury shares) was 36,665,591 and the number of treasury shares held was 5,376,444 equivalent to 12.8% of the Company's issued share capital. It is the intention of the Company to hold the treasury shares for the purpose of settling employee share schemes and in consideration for any future business acquisitions. No dividend or other distribution may be made to the Company in respect of the treasury shares.

Reconciliation of outstanding options	2012 Number	2012 Weighted average exercise price (pence)	2011 Number	2011 Weighted average exercise price (pence)
At beginning of year	6,476,770	44.0	6,486,348	37.6
Granted during year	1,500,000	86.0	780,000	80.0
Exercised during year	(210,051)	22.4	(117,500)	17.5
Lapsed during the year	(1,533,334)	38.4	(672,078)	39.9
At end of year	6,233,385	56.2	6,476,770	44.0

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

All options granted during 2012 were valued using a binomial pricing model. Market performance conditions were included in the fair value calculations; specifically the share price being 129.0 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 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 £155,000 (2011: £206,000), 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 2012, options granted to subscribe for ordinary shares of the company are as follows:

Date of grant	Option exercise period From (a)	Option exercise period To	Number of shares under option: Approved scheme	Unapproved scheme	Incentive scheme	Exercise price (pence) (b)	Fair Value of options (pence)	Life (years)	Volatility
Dec 2007	Dec 2009	Dec 2017	-	137,555	-	45.0	28.8	10	58%
Nov 2008	Nov 2011	Nov 2018	20,000	-	-	17.5	9.9	10	42%
Dec 2009	Dec 2012	Dec 2019	390,000	-	-	15.5	8.8	10	42%
Jun 2010	Jun 2013	Jun 2020	-	-	2,500,000	40.0	8.0	10	35%
Jul 2010	Jul 2013	Jul 2020	340,000	72,423	608,407	51.0	14.0	10	35%
Oct 2011	Oct 2014	Oct 2021	342,874	322,126	-	80.0	32.9	10	65%
Nov 2012	Nov 2015	Nov 2022	549,273	950,727	-	86.0	18.6	10	40%
			1,642,147	1,482,831	3,108,407				

(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	2012 £000	2011 £000
Non-current			
Bank borrowings	17	**5,400**	6,200
Other borrowings	17	**11**	32
		5,411	6,232
Current			
Bank borrowings	16	**800**	800
Other borrowings	16	**21**	35
		821	835
Total borrowings		**6,232**	7,067

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

In October 2010, the Group arranged a new five 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 £2.0 million, it is not subject to covenants related to the operating performance of the Consultancy business.

At 31 December 2012, £6,200,000 (2011: £7,000,000) 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	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Within one year	**-**	-	**800**	800
Between 1 and 2 years	**-**	-	**800**	800
Between 2 and 5 years	**-**	-	**4,600**	5,400
Over 5 years	**-**	-	**-**	-
	-	-	**6,200**	7,000

In order to address interest rate risk, 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 £8.0 million 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. £21,000 is repayable within one year and £11,000 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	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Operating lease payments:				
- Within 1 year	**-**	-	**3**	14
- Between 1 and 5 years	**-**	-	**13**	1
			16	15
Property lease rentals				
Operating lease payments:				
- Within 1 year	**-**	-	**92**	-
- Between 1 and 5 years	**-**	-	**110**	-
	-	-	**202**	-
	-	-	**218**	15

21 Capital and other financial commitments

At 31 December 2012 the Group and the Company had commitments of £Nil (2011: £Nil).

At 31 December 2012, 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 (2011: £8.0 million) had been drawn down and the balance at 31 December 2012 was £6.2 million. This facility is repayable in October 2015 as detailed in Note 19. The Company has no loan facility at 31 December 2012 (2011: £Nil).

22 Related party transactions

The Group provides support 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	2012 Loans £000	2012 Sale of goods and services £000	2011 Loans £000	2011 Sale of goods and services £000
Sagentia Limited	**(5,736)**	**838**	(9,156)	629
Sagentia Inc	**-**	**29**	-	35
Sagentia SGAI	**-**	**-**	-	9
Manage5Nines Limited	**-**	**39**	-	39
	(5,736)	**906**	(9,156)	712

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

During the year no IP consultancy services were ordered by Microgen plc from Sagentia (2011: £38,500). Microgen plc owed £Nil (2011: £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 Group plc. Remuneration to key management personnel is disclosed in Note 8.

Notes to the Financial Statements continued

23 Contingent liabilities / assets

Sagentia Limited licensed patented technology to Arad Limited ('Arad'), an Israeli corporation, in November 2007 ("Licence") and separately undertook development work for Master Meter Inc, a US subsidiary of Arad under various project agreements ("Project Agreements"). Under the Licence, Arad committed to pay royalties to Sagentia Limited based upon the number of units manufactured and subject to minimum annual royalty payments. Arad has made no payments under the Licence. Therefore in December 2012 Sagentia Limited sent Arad a notice of termination of the Licence, with effect from 12 January 2013. In January 2013 Arad and Master Meter filed a complaint alleging breaches of the Development Agreements and a request for an injunction to prevent termination of the Licence, actions which Sagentia Limited is seeking to have dismissed. No revenues have been recognised or provisions made related to these matters in these financial statements.

24 Critical accounting estimates and judgements

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

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 consultancy projects where the final price to complete the project may be uncertain. 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. Management apply their judgement in assessing time required to complete the projects and the ability to recover the full project costs. Where significant uncertainty exists, income is deferred until costs are recovered or the project is completed.

(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 the property does not form part of the Group's core activities, it is not accounted for as an investment property, the reasons being;

(i) The third party leases include the use of common areas and because of this the areas that are leased to third parties could not be sold separately.

(ii) The leases normally have notice periods of no more than 6 months giving Sagentia the flexibility to start using the areas if required, i.e. the leased areas are not held for capital appreciation or rental income.

25 Post balance sheet event

On 14th February 2013, the Group acquired the entire issued share capital of QDA Limited. QDA Limited is an industrial design agency operating primarily in the consumer sector. Consideration is based primarily on an earn-out agreement over three years with an initial consideration of £20,000 and a maximum consideration earn-out payable of 180,000 shares in Sagentia Group plc.

There are no other post balance sheet events to disclose.

Advisers

Financial Advisers and Broker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Auditors
Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
Cambridgeshire
CB4 0FY

Lawyers
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Bank
Lloyds TSB
3rd Floor Black Horse House
Castle Park
Cambridge
CB3 0AR

Financial Public Relations
Abchurch Communications Limited
125 Old Broad Street
London
EC2N 1AR

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Website
www.sagentia.com

Registered Office
Harston Mill
Harston
Cambridge
CB22 7GG

Company Number
06536543

Notes

Sagentia Group plc | Harston Mill | Harston | Cambridge | CB22 7GG | UK T. +44 1223 875200

www.sagentia.com
info@sagentia.com

SAGENTIA GROUP PLC