



2008

Annual Report and
Financial Statements

SAGENTIA GROUP

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2008 Highlights



- Corporate structure simplified and ongoing costs reduced by moving the domicile from Switzerland to the UK and by the admission of Sagentia Group plc to AIM
- Business strategically realigned from an integrated consulting and venturing operation to one clearly focused on generating sustainable earnings from technology consulting and intellectual property ('IP') exploitation
- Revenues and gross profits from technology consulting and IP were significantly ahead of market expectations and increased by 27% to £26.6m (2007: £20.9m) and 280% to £1.9m (2007: £0.5m) respectively
- Non-core or non-recurring costs of £3.6m resulted in a pre-tax loss of £2.2m (2007: £2.8m), with a loss per share of 9.7 pence (2007: 15.0 pence)
- Net debt decreased by £3.0m to £4.2m (2007: £7.2m)
- Cash balances increased by £4.4m to £5.3m (2007: £0.9m)
- Shareholders' funds per share of 71.9 pence (2007: 81.9 pence)
- Winner of 3 Management Consultancies Association awards for Best Technology, Best Innovation and the overall Best Private Sector Project
- Licence deal signed with Master Meter Inc, which is expected to generate US\$4.5m royalty in total
- US operation consolidated onto a single site in Washington DC at the heart of the East Coast health corridor
- Sagentia is well placed to respond to changing market conditions in 2009

Chairman's Statement



In the 2007 financial statements we announced a number of actions which we intended to undertake during the course of 2008. I am pleased to announce that these have all been completed in that:

- Sagentia's domicile has been transferred from Switzerland to the UK and the company's Stock Exchange listing has been moved from the main market to AIM
- Arbuthnot Securities has been appointed as our Nominated Adviser and Broker in order to facilitate the redomicile and admission to AIM and to assist the company in broadening its shareholder base
- the Board has been restructured
- our FSA registered fund management business, Chord Capital, has been sold and we are continuing to seek to monetarise our other third party investments whenever possible
- Sagentia now has a clear and well understood strategy which is firmly focused on its consulting and IP exploitation activities

The Board is confident that these actions will not only result in a significant reduction in ongoing corporate costs and lead to an ongoing improvement in operating margins, but will also make the business much simpler for our customers and our current and future investors to understand.

I am also pleased to report that, while implementing these changes, Sagentia has continued to make excellent progress in growing and developing its consulting and IP exploitation activities.

In 2008, while revenues from these activities were 27% ahead, operating profits, which totalled £1.9m, were almost four times greater than those achieved in 2007. Added to which, cash flow from operating activities was positive to the tune of £2.6m compared to a cash outflow of £3.5m in the previous year.

This is a great credit to our new Chief Executive, Alistair Brown, and indeed to everybody in Sagentia.

Although the overall results from the core operations in 2008 demonstrate continuing good progress, further reductions, totalling £2.0m (2007: £3.7m) in the valuation of the venturing portfolio, due principally to the share price movement of CMR Fuel Cells plc and provisions against other holdings, together with venture subsidiary costs of £1.0m (2007: £1.4m) and the one-off costs of £0.6m incurred in the redomiciliation exercise, resulted in an overall operating loss of £1.4m (2007: £2.8m) which, after financing costs, gave rise to a pre-tax loss of £2.2m (2007: £3.3m) for the year.

While it is disappointing to be reporting a pre-tax loss again to shareholders, the Board is confident that the company is now firmly on the path to operational profitability. Over the last 12 months Sagentia has become a business focused on growing a profitable technology consulting business creating, developing and delivering business opportunities, products and services. Over the next 12 months we will continue to focus the business on its core technology consulting capability while also on exploiting our own technology and intellectual property assets; generating income in the form of royalties and transaction fees from technology licensing, design and build and managed service applications.

The changes made during 2008 have not only simplified the business model and management structure, but have also aided communications with both investors and customers. This can only be positive for the business for the future. While overall market conditions remain unpredictable, Sagentia retains a healthy sales pipeline and order book. The cash position continues to strengthen and we look forward to the future with cautious optimism.

Chris Masters
Chairman
2 March 2009

Chief Executive's Review

Over the last 12 months the Sagentia Board has moved Sagentia from being an integrated consulting and venturing business to a more profitable business focused on delivering sustainable earnings from technology consulting and IP creation and exploitation. This will remain the strategic focus for Sagentia's future activities. We will continue to work with businesses worldwide creating, developing and delivering new business opportunities, products and services on a fees-for-service basis. We will continue to build on our existing core technology consulting capability and to exploit our technology and IP assets to generate additional future income in the form of licences, product/service royalties and transaction fees.

In order to deliver on Sagentia's strategy, we have built our selling capability, grown our forward sales order book and substantially improved our operational management. At the same time we have reduced costs within the business, where sensible to do so, and as a consequence have increased the profitability of the core business. We have ended the year in a strong position; we have a clear strategic direction for the business and are well positioned to deliver future growth in profits.

The market conditions over the past 12 months have been widely reported, with talk of recession and the 'credit crunch'. Nevertheless, in 2008 we have seen the demand for our services hold up as our clients recognise the need to maintain their innovation agenda. Future business success will depend on continuing to deliver high quality work that adds measurable commercial benefit in the short to medium term to our clients' businesses. We are therefore always pleased to have work that we have undertaken for our clients recognised by appropriate bodies. These include the Management Consultancies Association, where at its annual awards Sagentia won 3 awards; Best Technology, Best Innovation and the overall Best Private Sector Project, all for our ongoing work with Vodafone on M-PESA.

M-PESA, developed by Sagentia for Vodafone, is a breakthrough mobile payments solution which was successfully launched in 2007 for remittances in Kenya. This service is now deployed in Tanzania and Afghanistan, with other significant markets under development. The M-PESA service in Kenya enables customers to send money safely using a mobile phone and the local Safaricom network. It provides cost effective access to financial services for people without bank accounts in economies where it is unsafe, difficult or expensive to hold cash and move money around. The work on this multi-million pound project has continued during 2008, with the ongoing improvement and roll-out of M-PESA. M-PESA also won the Telecommunications category at the IET Innovation Awards.

Sagentia has also seen the launch of a breakthrough product in the industrial sector for US water meter giant Master Meter Inc ('Master Meter'). Sagentia was approached by Master Meter initially to design the mechanics for a water meter register based on existing technology. During a two year development

process, in which Sagentia reduced the tooling outlay by 90%, a change in design allowed Master Meter to adopt new IP as the basis for its sensing principle and so protect its product from duplication. Master Meter signed an exclusive licence deal with Sagentia for the use of this technology. The project generated more than US\$1m in consulting fees and we expect the ongoing licence deal for the core technology to generate US\$4.5m for the Group in total over a number of years.

Sagentia has also completed work with Prosurigics Ltd ('Prosurigics') on FreeHand, its next generation robotic camera holder for use in keyhole surgery. FreeHand recently won the ERBI Medtech Innovation Award for Prosurigics and Sagentia. Similarly, Aqualisa Products Ltd has recently been awarded a Queen's Award for Enterprise in the Innovation Category in recognition of its digital shower technology, developed by Sagentia when Quartz Digital was launched. Information on some of our other exciting projects is available from The Gen, our quarterly magazine, which may be downloaded from our website (www.sagentia.com).

Significant future opportunities for Sagentia will come from the expansion of our international operations. As the first step in the growth plan for our US business, we have consolidated our American operations onto a single site in Washington DC.

Washington DC sits centrally on the East Coast healthcare and life sciences business corridor and is well known for its proximity to the country's leading healthcare organisations and resources including Johns Hopkins, America's first research university.

Healthcare and wellness are major growth markets, particularly in developed economies such as the USA. In recent years we have seen the boundary between them blurring. Healthcare has always been regarded as the curing of illness, wellness about preventing illness in the first place. A new market opportunity is emerging, driven by an ageing affluent population and the need to help these 'baby boomers' maintain healthy, independent and active lives through retirement. We are seeing traditional medical companies moving into the wellness space and, interestingly, fast moving consumer goods companies using the health giving properties of their products as a key marketing message. This presents a huge opportunity in the convergence of technology-led products and services in these sectors.

Sagentia will continue to generate non-consulting income through:

- licensing proprietary IP
- manufacturing royalties where Sagentia is involved in creating, at risk, the original product concept
- generating retainer and transaction fee income from our growing managed services activity

Chief Executive's Review continued

Sagentia holds substantial interests in IP assets, usually in the form of licences and/or equity stakes in exploitation vehicles which should start to generate non-consulting income over the next few years. These include:

- Gray Wheels – water meter reading sensing technology, licensed to Master Meter Inc
- Sensopad/Autopad – licensed to TT electronics plc ("TT") in on-board automotive and fuel level applications. Future revenues of £1.6m recognised through the profit and loss from the Autopad licence have been reduced to £1.2m following the current status of the automobile market. TT had announced it has taken orders for more than 100m devices
- Astra Zeneca plc – licence to magnetic tagging technology developed by Sagentia, generating fees of £0.1m per annum
- CapTrack and MuTrack – sensing technologies being exploited through Sagentia Sensors, likely to generate non-consulting income in 2009. Discussions are progressing with global industrial and automotive companies

Sagentia also retains stakes in investments, in both venture subsidiaries and via equity investments. The venture subsidiaries have incurred costs that are consolidated into the Group result, whereas the equity investments have recognised losses through a fall in value. The disposal of Chord Capital,

our investment management vehicle, during the year confirms our intent to seek to dispose of these investments when the opportunity arises and monetarise the assets where possible.

The disposal of the investments and investment management assets will simplify the segmental analysis and reporting of Sagentia's results going forwards. Future reporting will focus on income generated either from fees for services, or from non-consulting income outlined above.

Outlook

Demand for Sagentia's product and service development capability grew during 2008 and at the end of the year was robust. The performance of Sagentia during 2009 will benefit substantially from the operational changes made in 2008. The global recession demands that we are operationally nimble and we remain focused on our core strategy.

Alistair Brown
Chief Executive

2 March 2009

Financial Review

Analysis of segmental results

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

	Note	2008 Revenue	2007 Revenue	2008 Profit/(Loss)	2007 Profit/(Loss)
£000s					
Consulting and IP exploitation		26,569	20,926	1,941	540
Venture subsidiaries		44	169	(983)	(1,390)
Asset management		214	463	(2)	55
Property and centre		2,244	1,404	384	47
Revenues: gross profit (loss)	4,5	29,071	22,962	1,340	(748)
Profit on disposals of investments	14			-	1,376
Change in fair value on financial assets	14			(1,982)	(3,701)
Related bonus accrual				-	327
Redomiciliation costs				(589)	-
Share based payment charge	17			(170)	(83)
Operating loss				(1,401)	(2,829)
Finance charges (net)	6			(809)	(485)
Loss on continuing operations before income tax				(2,210)	(3,314)

Revenue: Note 4

Revenue is stated net of inter-company activity. Total revenues increased by 27% to £29.1m (2007: £23.0m) due primarily to an increase of £4.5m in technology consulting fees, and £1.3m in recharged expenses. Consulting and IP exploitation represents 91% of Group revenue (2007: 91%).

Gross profit (loss): Note 5

Gross profit before fair value adjustments improved to £1.3m (2007: a loss of £0.7m). This includes a profit for the core operations of £1.9m (2007: £0.6m) offset by venture subsidiary costs of £1.0m (2007: £1.4m). Venture subsidiary cost increases include additional costs in both AtraNova (partially funded by a minority investor loan) and in Sagentia Sensors.

The gross profit by segment is further discussed in the Chief Executive's Review.

Investment Activity:

Profit on disposal of investments: Note 14

Profit on disposal of investments in 2007 principally relates to the disposal of the Intrasonics Ltd investment.

Change in fair value on financial assets: Note 14

The change in fair value on financial assets of £2.0m represents the total of the movement in market value of our quoted shares held and movement in fair value (as calculated using British Venture Capital Association methodology) of our unquoted investments. The largest part of this relates to the reduction in share price of CMR (£0.5m) and TurfTrax plc (£0.4m), and a provision against the value of Sensortec Ltd (£0.6m). CMR's share price ended the year at £0.17 (2007: £0.42). TurfTrax's share price ended the year at £0.004 (2007: Unquoted). Of the remaining financial assets, marginal gains were booked

in Sphere Medical Holding Ltd, with losses booked to our investments in Telsecure Group Ltd, Zinwave Holdings Ltd, Biowisdom Ltd, Wingspeed Corp and deferred income on TT electronics plc royalty.

Bonus accrual

A bonus accrual of £0.3m was released in 2007 due to the reduction in fair value on financial assets.

Redomiciliation costs

A one-off cost of £0.6m was incurred due to external costs related to the redomicile of the company, the delisting of Sagentia Group AG from the London Stock Exchange main market and admission of Sagentia Group plc to AIM.

Cost of options: Note 17

The cost of options issued and outstanding at the year-end for 2008 is calculated as £0.2m (2007: £0.1m). The increase is due to an additional 1.7m new options being issued during 2008. At the year-end, all options issued have an exercise price in excess of market price.

Finance charges: Note 6

Finance charges for the year increased to £0.8m (2007: £0.5m) due to an increase in the value of the interest-rate swap liability (identified in Note 18 of £0.3m, as additional interest on the increased borrowings).

Loss per share: Note 11

The loss per share was 9.7 pence (2007: 15.0 pence).

Financial Review continued

Venture subsidiaries

Venture subsidiaries are majority owned spin-out companies created by Sagentia Group for the purpose of exploiting a particular technology, intellectual property or business opportunity. Sagentia's goal with its venture portfolio is ultimately to realise value through IPO or trade sale. The scale of this activity will continue to reduce going forwards as the business focuses on exploiting technology through licensing and collaboration with Sagentia's consulting clients.

Under IFRS, controlled investments are consolidated as subsidiaries, therefore all costs incurred by the venture subsidiaries are expensed through the Income Statement. Consequently, the fair value of controlled investments is not shown on the balance sheet. Controlled investments actively exploited during the year included Sensopad Ltd, AtraNova Ltd and Sagentia Sensors Ltd.

The net costs of venture subsidiaries in 2008 were £1.0m (2007: £1.4m). As well as operating costs, all expenditure on the creation and development of intellectual property was written off as incurred, in line with Sagentia's accounting policies.

Sensopad Ltd

Sensopad owns IP in relation to its contact-less inductive sensing 'Pad' technology.

Automotive applications of the IP were sold to TT electronics plc ('TT') in 2004. Royalties commenced in Q408, will run for 4 years, and are capped at £10.0m. Net royalties of £1.7m, now reduced to £1.2m, have been recognised to date through the Consolidated Income Statement and are shown as an asset within investments in the balance sheet.

Asset management

The whole of the issued share capital of Chord Capital, our FSA registered subsidiary, was sold to its management in July 2008 for its net asset value. Chord Capital made a marginal loss in the period. Sagentia is no longer FSA registered.

The net result for the venture operations (being profit on disposals of investments, change in fair value on financial assets and the related bonus accrual) generated a loss of £2.0m (2007: £2.0m). This reflected a reduction in fair value of investments, as noted above.

The following investee companies now comprise 74% of the fair/BVCA value of the portfolio capitalised on Sagentia's balance sheet at 31 December 2008:

Investee company	Group fully diluted equity interest * %	2008 BVCA valuation of Group interest £m	2007 BVCA valuation of Group interest £m
CMR Fuel Cells plc ('CMR')	11	0.4	0.9
Sphere Medical Holding Ltd ('Sphere')	7	1.6	1.5
Atraverda Ltd ('Atraverda')	8	1.3	1.3
Sensortec Ltd ('Sensortec')	10	0.6	1.2
TurfTrax Group plc ('TurfTrax')	8	-	0.4
Total		3.9	5.3

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

TT took a further licence in the field of fuel level sensing in 2007. Royalties, which will run until 2017, are capped at £10.0m, although are not expected to commence before 2010.

Non-automotive applications for the technology are currently being exploited in the industrial, aerospace and gaming controller markets via a marketing and operating agreement with Sagentia Ltd, and are likely to be exploited through individual licence agreements.

AtraNova Ltd

AtraNova owns IP in relation to Ebonex™, a conductive ceramic material.

During the period AtraNova completed testing of its water treatment equipment, which has been shown to reduce significantly the Mogden charge levied by water companies to manufacturers. In August 2008, it agreed an initial funding of up to £750k to allow it to start equipment installation on client sites during the second half of 2008. Sagentia did not participate in the fundraising. In December 2008 it raised a further £500k mainly by way of convertible loans.

Sagentia Sensors Ltd

Sagentia Sensors owns IP in relation to its contact-less inductive sensing technology, CapTrack™ and MuTrack™.

During 2008 it developed application specific demonstrators for a number of clients in both the industrial and automotive markets, and it is expected to complete a number of licensing agreements during the second half of 2009.

The combined BVCA value of the holdings in the venture subsidiaries is £1.5m.

Financial Review continued

Property and central services

Property comprises Sagentia's 77,000 square feet freehold headquarters in Harston, England. The principal tenant remains Sagentia's consulting business, Sagentia Ltd, which occupies 37,000 square feet on arms length terms. The remaining space is let on short to medium term leases.

The remaining costs result from the cost of property; Group central costs, relating to the Swiss quoted company (now dormant), Sagentia Group plc and its management; and to Sagentia's IT services company Manage5Nines Ltd. The building was fully let at the year-end, and Manage5Nines revenues from non-Group companies increased during the year.

Analysis of balance sheet

At 31 December 2008 Sagentia had shareholders' funds of £15.3m (2007: £17.3m) which is equivalent to approximately 71.9 pence per share (2007: 81.7 pence). This includes freehold land and buildings with a net book value of £14.0m (2007: £14.1m) against which Sagentia has an outstanding loan of £9.0m (2007: £6.8m). At the year-end Sagentia had no unutilised loans (2007: £3.4m) but had cash balances of £5.3m (2007: £0.9m).

The fair value of investments and other loans to investee companies at the year-end was £5.3m (2007: £7.6m). This represents the BVCA or market valuation of all non-controlled investments. The BVCA valuation of controlled investments – venture subsidiaries – is £1.5m (2007: £0.9m). The difference between the BVCA valuation and the net asset value at the year-end for venture subsidiaries is equivalent to approximately 7.0 pence per share (2007: 4.2 pence).

Cash and cash flow

The cash and cash equivalents during 2008 increased by £4.4m (2007: decreased by £1.1m). This resulted from cash inflows from operating activities of £2.6m (2007: outflows of £3.5m) offset by cash outflows from investing activities of £0.5m (2007: inflows of £1.3m) and cash inflows of £2.3m (2007: £1.1m) from financing activities including the drawdown of the loan facility.

Operating cash inflows during the year largely resulted from a decrease in working capital requirements during the year of £1.9m (2007: increase of £2.7m) due to a decrease in receivables and an increase in payables.

Cash outflow from investing activities resulted from discretionary spending, including capital expenditure, offset by the sale of financial assets at fair value through the profit and loss of £0.2m (2007: £0.2m).

Bank loans drawn down at the end of 2008 were £9.0m (2007: £6.8m). The loan is part of a Group bank facility taken out as a five year revolving loan facility of up to £9.0m secured against Harston Mill. The £2.0m overdraft facility guaranteed by Sagentia Group was not renewed during 2008. At the end of 2008 £Nil (2007: £3.4m) of the facility remains available to be drawn down.

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

Guy McCarthy
Finance Director
2 March 2009

Report of the Directors

The Directors present their annual report on the affairs of Sagentia Group plc, together with consolidated financial statements and Group auditor's report for the year ended 31 December 2008.

Acquisition of Sagentia Group AG by Sagentia Group plc

These statements consolidate the financial statements of Sagentia Group plc and its subsidiary undertakings drawn up to 31 December of each year. The company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange. To date it has acquired 99.6% of Sagentia Group AG via a share for share exchange. For the purpose of preparing the consolidated accounts this transaction is not considered to be a business combination under IFRS. Thus, the Directors have treated the results and cash flows of the combined entities brought into the consolidated financial statements of Sagentia Group plc, restating comparative results, as though they had always been combined. The comparative balance sheet at 31 December 2007 is stated as per the position of Sagentia Group AG, except that the share capital, share premium and reserve accounts have been restated to create a merger reserve, to reflect the position which assumes the share for share exchange had occurred at the start of the comparative accounting period. The company only results of Sagentia Group plc are for the period from 17 March 2008 to 31 December 2008 only.

Directors

Chris Masters Chairman

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

Alistair Brown* Chief Executive

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

Guy McCarthy Finance Director

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

* Retire by rotation at the next AGM

Lars Kylberg* Senior Independent Non-Executive Director

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

Staffan Ahlberg Non-Executive Director

Mr Ahlberg received his Master of Science in Electronics from the Royal Institute of Technology in 1966 and his Bachelor of Business Administration from the Stockholm School of Economics in 1969. He worked as a management consultant at PA International from 1968 until 1978, when he founded International Business Systems AB. He was the first Managing Director of International Business Systems AB, took the company public in 1986 and continued serving for 24 years until retiring in 2002, when it was a global company with more than 2,000 employees in 22 different countries. He is a serving director of Catella AB, a Stockholm based investment asset management, corporate finance and private equity business. Besides his directorship in Catella AB, he is currently the Chairman of two public information technology companies in Stockholm, ENEA AB and ProAct AB.

Dan Flicos Commercial Director

Mr Flicos took his BSc and Masters in Electrical and Electronic Engineering at Bath University. He joined Marconi Radar Systems in 1987, working on the development of signal processors. He then moved to Digithurst Ltd, a company developing imaging products for personal computers, where he became Technical Director. Mr Flicos moved to Sagentia in 1993 where he has taken a number of senior management positions, including a period as President of the US operations from 2000 to 2003.

Report of the Directors continued

Business review and principal activities

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

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

Key performance indicators

Group turnover was £29.1m (2007: £23.0m).
Loss on continuing operations before income tax was £2.2m (2007: £3.3m).
Loss attributable to equity holders of the parent was £1.7m (2007: £3.3m).

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

Principal risks and uncertainties facing Sagentia

The Directors consider that the risks include:

Risk of increased competition

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

Failure to retain or loss of customer contracts

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

Potential downturn in the market for outsourced product and service development

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

Dependence on key personnel

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

Project over-run or failure to meet technical milestones

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

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

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

Infringement of third party IP rights

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

Failure of licensees to successfully exploit licensed technology

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

Loss of value or liquidation of portfolio companies

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

Currency exchange rates

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

Report of the Directors continued

Changes in legislation relating to trading

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

Fluctuation in the market price of quoted portfolio companies

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

Financial instruments

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

In addition to these operational risks, there are a number of financial and trading risks discussed in Note 3 to the financial statements.

Environment

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

Employees

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

Employment policies

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

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

Sagentia operates an Employee Consultative Committee to consult on collective matters that affect employees.

Non current assets

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

Research and development

Sagentia has a continuing commitment to a high level of research and development, both on its own behalf, and on behalf of its clients. Directors estimate that research and development costs incurred during the year amounted to £6,227,000 (2007: £6,085,000), all of which has been written off to the Income Statement. This increase reflects the need to be at the forefront of technological advance to ensure future growth.

Dividends

No interim dividend was declared during the year and the Directors do not recommend that a dividend be paid in respect of the year ended 31 December 2008 (2007: £Nil). It is the Board's policy to invest retained earnings to fund the further development and growth of the consulting business. The Board will review its policy periodically in the context of Sagentia's financial position.

Report of the Directors continued

Directors

The present membership of the Board is shown at the start of this report.

Directors' interests in the shares of Sagentia, at 31 December 2008 and 31 December 2007, and any changes subsequent to 31 December 2008, are as follows:

Ordinary £0.01 shares of Sagentia Group plc	Average exercise price (pence)	31 December 2008 number	Average exercise price (pence)	31 December 2007 number	31 December 2008 number	31 December 2007 number
		Options		Options	Shares	Shares
Masters		-		-	100,000	100,000
Brown	29.6	447,079	45.0	147,079	52,501	22,500
Flicos	30.7	307,079	45.0	147,079	-	-
McCarthy	27.4	307,078	45.0	110,309	20,621	9,460
Kylberg		-		-	34,654	34,654
Ahlberg		-		-	--	--
		1,061,236		404,467	207,776	166,614

• Options and shares held in 2007 represent the options and shares that would have been held in Sagentia Group AG assuming that the Sagentia Group plc offer for shares in Sagentia Group AG had already been accepted.

Options were granted during 2008 as follows:

Ordinary £0.01 shares of Sagentia Group plc	Average exercise price (pence)	Exchanged for Sagentia Group AG options	Approved share options	Unapproved share options	31 December 2008 number
Brown	45.0	147,079			147,079
	45.0	50,000			50,000
	17.5		171,428		171,428
	17.5			78,572	78,572
Flicos	45.0	147,079			147,079
	17.5		160,000		160,000
McCarthy	45.0	110,309			110,309
	17.5		171,428		171,428
	17.5			25,341	25,341
		454,467	502,856	103,913	1,061,236

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

Election of Directors

Lars Kylberg and Alistair Brown will retire by rotation and offer themselves for re-election at the next Annual General Meeting.

Directors' interests in contracts

None of the Directors had an interest in any contract of significance to which Sagentia was a party during the financial year, other than that disclosed in Note 8.

Supplier payment policy

The supplier payment policy is to pay suppliers generally at the end of the month following that in which the supplier's invoice is received. This policy is made known to the staff that make payments to suppliers, and to all suppliers on request. Sagentia payables balance for 2008 represents a creditor payment period of 32 days (2007: 30 days).

Charitable and political donations

No charitable or political donations were made in the year (2007: £Nil).

Post balance sheet events

See Note 25.

Planned future developments

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

Report of the Directors continued

Substantial shareholdings

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

Shareholder	Number of ordinary shares	% held
Catella Switzerland AG	10,512,080	48.9
Herald Investment Management Limited	1,387,491	6.5
Prof Gordon Edge CBE	1,129,807	5.1
Mark Bradshaw	1,034,209	4.8

Corporate governance report

Statement about applying the Principles of Good Governance

The company is registered in England and Wales, and listed on the Alternative Investment Market of the London Stock Exchange ('AIM'). As such it has sought to apply the overlying Principles of Good Governance set out by both parties. In particular Sagentia has applied the Principles of Good Governance set out in Section One of the Combined Code (2006) throughout the year by complying with the Code of Best Practice as reported below. Further explanation of how the Principles have been applied is set out below.

Corporate governance statements

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

Statement of compliance with the Code of Best Practice

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

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

The Chairman and Senior Non-Executive Director on the Board at the year-end are independent.

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

Board of Directors

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

At 31 December 2008, the Board comprised a Chairman, three Executive Directors and two Non-Executive Directors. One of the two Non-Executive Directors is independent. All Directors bring a wide range of skills and international experience to the Board. Lars Kylberg is the Senior Independent Non-Executive Director. The Chairman holds meetings with the Non-Executive Directors without Executive Directors present.

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

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

The Board met six times during 2008. The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve. The Board will meet at least six times a year to consider a formal schedule of matters including the operating performance of the advisory, exploitation and investment businesses and to review Sagentia's budget strategy and business model.

Non-Executive Directors are appointed for a three year term after which their appointment may be extended by mutual agreement, after rigorous review by the Board. In accordance with the company's Articles of Association, one third of the Board are required to retire by rotation each year so that over a three year period all Directors will have retired from the Board and faced re-election. Lars Kylberg and Alistair Brown retire by rotation and will offer themselves for re-election at the forthcoming Annual General Meeting on 28 April 2009.

Report of the Directors continued

Corporate governance report (continued)

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

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

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

Directors

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

Director	Role at 31 December 2007	Date of (re-) appointment	Date of resignation	Board committee
Chris Masters	Chairman	9 May 2008		A I N R
Lars Kylberg	Senior Non-Executive	9 May 2008		A I N R
Staffan Ahlberg	Non-Executive	9 May 2008		A N R
Alistair Brown	Chief Executive	17 March 2008		
Dan Flicos	Commercial Director	9 May 2008		
Guy McCarthy	Finance Director	17 March 2008		

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

Board meetings

	8 May	9 May	3 Jun	16 Jun	7 Jul	21 Jul	11 Aug	26 Aug	26 Aug	15 Sep	6 Oct	28 Oct	7 Nov	23 Dec
Full Board	•	•		•				•				•		•
Sub-committee														
- Audit									•					
- Remuneration									•					
- Offer			•		•	•	•			•	•		•	
- Nomination														
Directors in attendance														
- Chris Masters		•		•				•	•			•		•
- Lars Kylberg		•		•				•	•			•		•
- Staffan Ahlberg		•		•				x	x			•		•
- Alistair Brown	•	•	•	•		•	•	•	•	•	•	•	•	•
- Dan Flicos		•		•	•			•				•		•
- Guy McCarthy	•	•	•	•	•	•	•	•	•	•	•	•	•	•

• Attended the meeting X Did not attend the meeting

Board committees

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

Corporate governance report (continued)

• **Audit Committee**

The Audit Committee is chaired by Lars Kylberg and comprises himself, Chris Masters and Staffan Ahlberg.

The Audit Committee is responsible for reviewing a wide range of matters including the half year and annual financial statements before their submission to the Board as well as monitoring the controls, in particular regarding processes concerning investments, which are in force to ensure the integrity of the information reported to the shareholders. There is a whistle-blowing policy incorporated within the Sagentia Handbook. The Audit Committee contributes to the Board's review of the effectiveness of internal controls and risk management systems. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors. The Audit Committee keeps under review the cost effectiveness and the independence and objectivity of the auditors. There is no internal audit function within Sagentia. The Audit Committee is satisfied that this would be inappropriate for a Group of Sagentia's size. The auditors have provided services in relation to the annual audit of the Group, a government grant audit report during the year, as well as the working capital review as part of the redomiciliation exercise during the year.

The Audit Committee met once during 2008. The Chairman also took additional meetings with the auditors and Finance Director during the year.

• **Remuneration Committee**

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

The Remuneration Committee met once during 2008.

• **Nomination Committee**

The Nomination Committee is chaired by Chris Masters and comprises the two Non-Executive members of the Board. 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 Non-Executive Directors regarding nominations for Board positions. Nominations for Executive Directors are submitted by the Chief Executive to the Nomination Committee. All Board appointments have to be approved at a General Meeting of the Company.

The Nomination Committee did not meet during 2008. It may take advice from time to time from external advisors, but did not do so in 2008.

Relations with shareholders

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

Balanced and understandable assessment of position and prospects

The Board has shown its commitment to presenting balanced and understandable assessments of Sagentia's position and prospects by providing additional information to that required to comply with statutory obligations. This principally includes information on Sagentia's portfolio of investments in addition to disclosures within the segmental breakdown of income from activities.

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

Remuneration strategy

Sagentia operates in a competitive market. If Sagentia is to compete successfully, it is essential that it attracts, develops and retains high quality staff. Remuneration policy has an important part to play in achieving this objective. Sagentia aims to offer its staff a remuneration package which is both competitive in the relevant employment market and which is set in relation to individual performance.

Report of the Board on Remuneration

Remuneration Committee

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

The Committee, which is chaired by Staffan Ahlberg, also comprises Lars Kylberg and Chris Masters. Both Chris Masters and Lars Kylberg are considered Independent Non-Executive Directors. The Committee consults, as appropriate, with the Chief Executive of Sagentia and asks for assistance from the Human Resources Manager. It also takes advice from time to time from external advisers, but did not do so in 2008.

Remuneration policy for Executive Directors

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

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

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

The remuneration package comprises the following elements:

- **basic salary:** Basic salaries are normally reviewed annually and are set to reflect market conditions, personal performance and those paid for similar jobs in comparable companies
- **annual performance-related bonus:** Executive Directors receive annual performance-related bonuses related to consulting performance, valuation increases in the investment portfolio and profit
- **benefits:** Executive Directors' benefits include medical and dental expenses, life assurance and pension contributions

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

Service contracts

All Directors are appointed for a period of three years. Executive Directors' contracts 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.

Chairman and Non-Executive Directors

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

Option plans

The company formally adopted an approved and unapproved Share Option Scheme on 26 August 2008. Options granted under these schemes have only been issued at market price. The company has also granted options to replace options granted under the Sagentia Group AG option scheme which had not vested as a result of the redomiciliation exercise.

The Remuneration Committee and Board recognise that incentivisation of staff is a key issue for Sagentia, which depends on the skill of its people for its success. The Board and the Remuneration Committee are evaluating the optimum route to link Sagentia and individual performance. It is their intention to revise incentives at the earliest opportunity, within an open period. It is also the intention to accompany new incentives with performance criteria including both the growth and profitability of the technology development and consulting activities.

The market price of the shares at 31 December 2008 was 17.0 pence (2007: 40.0 pence equivalent). The highest and lowest price during the year was 49.0 pence and 14.0 pence respectively.

Executive Directors are entitled to participate in Sagentia's share option schemes. The Remuneration Committee approves any options granted thereunder. Non-Executive Directors do not participate in Sagentia's share option schemes. It is the policy of Sagentia to grant share options to key employees and Executive Directors as a means of encouraging ownership and providing incentives for performance.

Report of the Audit Committee

Audit Committee

The Audit Committee has written terms of reference and exists to provide a mechanism through which the Board can maintain the integrity of the financial statements of Sagentia and any formal announcements relating to Sagentia's financial performance; to review Sagentia's internal financial controls and Sagentia's internal control and risk management systems; and to make recommendations to the Board, for it to put to the shareholders for their approval in general meetings, in relation to the appointment of the external auditor. Provision is made by the Audit Committee to meet the auditors at least twice a year.

The Committee, which is chaired by Lars Kylberg, also comprises Chris Masters and Staffan Ahlberg. The Committee consults, as appropriate, with the Chief Executive and Finance Director. It may also take advice from time to time from external advisers, but did not do so in 2008.

Internal controls

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

Sagentia has established procedures necessary to implement the guidance on internal control issued by the Turnbull Committee. This includes identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its Executive Director and senior managers.

In previous years the Board has established a process for identifying, evaluating and managing the significant risks Sagentia faces.

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

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

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

Information systems – Group businesses participate in periodic strategic reviews, which include consideration of long term financial projections and the evaluation of business alternatives. Annual budgets and rolling four year plans are prepared. The Board actively monitors performance against plan. Forecasts and results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

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

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

This process, which operates in accordance with Turnbull guidance, was maintained throughout the 2008 financial year, and has remained in place up to the date of the approval of these financial statements. The Board, via the Audit Committee, has formally reviewed the systems and processes in place in meetings with the Chief Executive, Finance Director and Sagentia's auditors during 2008. No internal audit function is operated outside of the systems and processes in place, as Sagentia is considered too small for a separate function. The Board considers the internal control system to be adequate for Sagentia.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRS 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

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

Auditors

The Directors appointed Grant Thornton UK LLP as auditors during the year. The auditors are willing to continue in office, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval

The Report of the Directors was approved by the Board on 2 March 2009 and signed on its behalf by:

By order of the Board
Guy McCarthy
Company Secretary

Harston Mill, Harston
Cambridge, CB22 7GG

Auditor's Report

Report of the Independent Auditor to the members of Sagentia Group plc

We have audited the group and company financial statements (the 'financial statements') of Sagentia Group plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow statements, and Notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP

REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Cambridge
2 March 2009

Financial Statements

and Notes to the Financial Statements

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	Core operations £000	Venture subsidiaries £000	2008 £000	2007 £000
Continuing operations					
Revenue					
Core operations		29,027	-	29,027	22,793
Venture subsidiaries		-	44	44	169
	4	29,027	44	29,071	22,962
Operating expenses					
Core operations		(26,704)	-	(26,704)	(22,151)
Venture subsidiaries		-	(1,027)	(1,027)	(1,559)
	4,5	(26,704)	(1,027)	(27,731)	(23,710)
Gross profit (loss)	4	2,323	(983)	1,340	(748)
Profit on disposal of investments	14	-	-	-	1,376
Change in value of financial assets	14	-	-	(1,982)	(3,701)
Bonus accrual		-	-	-	327
Redomiciliation		-	-	(589)	-
Share based payment charge*		-	-	(170)	(83)
Operating loss				(1,401)	(2,829)
Finance costs	6	-	-	(536)	(552)
Finance income	6	-	-	16	86
Other financial result	6	-	-	(289)	(19)
Loss on continuing operations before income tax				(2,210)	(3,314)
Tax income	9	-	-	123	80
Loss on continuing operations for the year				(2,087)	(3,234)
Attributable to:					
Equity holders of the parent				(1,746)	(3,264)
Minority interests				(341)	30
Loss for the year				(2,087)	(3,234)
Earnings per share from total and continuing operations					
Loss per share (basic and diluted)	11			(9.7)p	(15.0)p

* See Consolidated Statement of Changes in Equity

Consolidated and Company Statement of Changes in Equity

For the year ended 31 December 2008

Group	Issued capital	Merger reserve	Investment in own shares	Translation reserve	Share based payment reserve	Retained earnings	Total shareholders' funds	Minority interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2007	215	22,099	(61)	(128)	346	(1,880)	20,591	209	20,800
Exchange differences on translating foreign operations	-	-	-	(104)	-	-	(104)	(4)	(108)
Net income recognised directly in equity	-	-	-	(104)	-	-	(104)	(4)	(108)
Profit (loss) for the year	-	-	-	-	-	(3,246)	(3,246)	12	(3,234)
Total recognised income (expense) for the year	-	-	-	(104)	-	(3,246)	(3,350)	8	(3,342)
Dividends payable to minorities	-	-	-	-	-	-	-	(8)	(8)
Shares in subsidiaries issued to minorities	-	-	-	-	-	-	-	5	5
Share based payment charge	-	-	-	-	83	-	83	-	83
Balance at 31 December 2007	215	22,099	(61)	(232)	429	(5,126)	17,324	214	17,538
Balance at 1 January 2008	215	22,099	(61)	(232)	429	(5,126)	17,324	214	17,538
Exchange differences on translating foreign operations	-	-	-	(446)	-	-	(446)	24	(422)
Net income recognised directly in equity	-	-	-	(446)	-	-	(446)	24	(422)
Profit (loss) for the year	-	-	-	-	-	(1,746)	(1,746)	(341)	(2,087)
Total recognised income (expense) for the year	-	-	-	(446)	-	(1,746)	(2,192)	(317)	(2,509)
Dividends paid to minorities	-	-	-	-	-	-	-	(34)	(34)
New shares issued	50	-	(50)	-	-	-	-	-	-
Shares in subsidiaries issued to minorities	-	-	-	-	-	-	-	276	276
Share based payment charge	-	-	-	-	170	-	170	-	170
Balance at 31 December 2008	265	22,099	(111)	(678)	599	(6,872)	15,302	139	15,441

Company	Issued capital	Merger reserve	Investment in own shares	Translation reserve	Share based payment reserve	Retained earnings	Total shareholders' funds	Minority interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2007	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-	-	-	-	-
Share based payment charge	-	-	-	-	-	-	-	-	-
Balance at 31 December 2007	-	-	-	-	-	-	-	-	-
Balance at 1 January 2008	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-	(634)	(634)	-	(634)
New shares issued	265	10,295	-	-	-	-	10,560	-	10,560
Share based payment charge	-	-	-	-	3	-	3	-	3
Balance at 31 December 2008	265	10,295	-	-	3	(634)	9,929	-	9,929

• Sagentia Group plc was incorporated on 17 March 2008, and hence the company results show new shares issued in 2008.

• Group results restated to reflect the group reorganisation. See Note 2.

• The accompanying Notes are an integral part of the Consolidated Statement of Changes in Equity.

• The merger reserve arose as a consequence of a group reconstruction that resulted in Sagentia Group plc acquiring Sagentia Group AG by way of a share for share exchange.

Consolidated and Company Balance Sheet

At 31 December 2008

	Notes	Company		Group	
		2008 £000	2007 £000	2008 £000	2007 £000
ASSETS					
Non current assets					
Intangible assets	12	-	-	1	5
Property, plant and equipment	13	-	-	15,008	14,574
Investments	14	10,510	-	5,291	7,570
Deferred income tax assets	10	-	-	2,633	2,657
		10,510	-	22,933	24,806
Current assets					
Trade and other receivables	15	6	-	6,768	7,733
Current tax asset		-	-	80	59
Cash and cash equivalents	16	-	-	5,341	859
		6	-	12,189	8,651
Total assets		10,516	-	35,122	33,457
EQUITY AND LIABILITIES					
Shareholders' equity					
Called-up share capital*	17	265	-	265	215
Merger reserve*		10,295	-	22,099	22,099
Investment in own shares*		-	-	(111)	(61)
Translation reserve*		-	-	(678)	(232)
Share based payment reserve*		3	-	599	429
Retained earnings*		(634)	-	(6,872)	(5,126)
Equity attributable to the equity holders of the parent		9,929	-	15,302	17,324
Minority interest		-	-	139	214
Total equity		9,929	-	15,441	17,538
Non current liabilities					
Borrowings	18	-	-	9,430	7,243
Other creditors	18	-	-	90	69
Financial instruments	18	-	-	489	200
Deferred income tax liabilities	10	-	-	2,633	2,657
		-	-	12,642	10,169
Current liabilities					
Trade and other payables	19	586	-	6,926	4,891
Current income tax liabilities	19	-	-	-	36
Borrowings	19	1	-	113	823
		587	-	7,039	5,750
Total liabilities		587	-	19,681	15,919
Total equity and liabilities		10,516	-	35,122	33,457

* See Consolidated Statement of Changes in Equity

Sagentia Group plc was incorporated on 17 March 2008, and hence the company results show no 2007 comparatives.

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

Chris Masters Chairman
Alistair Brown Chief Executive
 On 2 March 2009

The accompanying Notes are an integral part of the Consolidated Balance Sheet.

Consolidated and Company Cash Flow Statement

For the year ended 31 December 2008

	Notes	Company		Group	
		2008 £000	2007 £000	2008 £000	2007 £000
Loss before income tax		(631)	-	(2,210)	(3,314)
Depreciation and amortisation charges		-	-	375	409
Profit on disposal of investments		-	-	-	(1,376)
Change in fair value of financial assets		-	-	2,047	3,701
Change in fair value of interest-rate swap		-	-	289	19
Bonus accrual		-	-	-	(327)
Share based payment charge		-	-	170	83
(Increase) decrease in receivables		(6)	-	965	(2,599)
Increase (decrease) in payables		586	-	918	(140)
UK corporation tax received (net)		-	-	76	50
Foreign corporation tax (paid) received (net)		-	-	-	(6)
Cash flows from operating activities		(51)	-	2,630	(3,500)
Purchase of property, plant and equipment		-	-	(764)	(200)
Proceeds from sale of property, plant and equipment		-	-	-	5
Loans repaid by related parties		-	-	-	63
Loan repayments received from third parties		-	-	19	(34)
Purchase of financial assets at fair value through profit and loss		-	-	-	(185)
Sale of current assets investments		-	-	-	23
Sale of subsidiary undertaking		-	-	10	1,488
Sale of financial assets at fair value through the profit and loss		-	-	206	165
Cash flows from investing activities		-	-	(529)	1,325
Issue of ordinary share capital		50	-	-	-
Issue of shares by subsidiary undertakings to minority interests		-	-	276	5
Dividends paid to minorities		-	-	(34)	-
Issue of loans by minority interests to subsidiary undertakings		-	-	502	13
Loan drawn down		-	-	1,477	1,064
Cash flows from financing activities		50	-	2,221	1,082
Increase (decrease) in cash and cash equivalents in the year		(1)	-	4,322	(1,093)
Cash and cash equivalents at the beginning of the year		-	-	859	1,963
Exchange profit (loss) on cash		-	-	160	(11)
Cash and cash equivalents at the end of the year	17	(1)	-	5,341	859

Sagentia Group plc was incorporated on 17 March 2008, and hence the company results show no 2007 comparatives.

Notes to the Financial Statements

For the year ended 31 December 2008

1 General information

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

The Company is the ultimate parent company in which results of all Sagentia companies are consolidated. The Company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange. To date it has acquired 99.6% of Sagentia Group AG via a share for share exchange.

Sagentia develops technologies that underpin the future of the widest range of industries. Its key areas of expertise include: engineering, materials, telecommunications, life sciences, business innovation and electronics. Sagentia's facilities include state-of-the-art laboratories located in Europe in Cambridge, Frankfurt, and Stockholm; in the US in Washington; and in Asia in Hong Kong.

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

The Company is incorporated in England and Wales and has its primary listing on the Alternative Investment Market of the London Stock Exchange (SAG.L).

These consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2009.

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 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. No profit and loss account is presented for Sagentia Group plc as provided by Section 230 of the Companies Act 1985. The Company's loss for the financial period after tax, determined in accordance with the Act, was £634,000 (2007: £Nil).

Acquisition of Sagentia Group AG by Sagentia Group plc

These statements consolidate the financial statements of Sagentia Group plc and its subsidiary undertakings drawn up to 31 December of each year. The Company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange. For the purpose of preparing the consolidated accounts this transaction is not considered to be a business combination. Thus, the Directors have treated the results and cash flows of the combined entities brought into the consolidated financial statements of Sagentia Group plc, restating comparative results, as though they had always been combined. The comparative balance sheet at 31 December 2007 is as the position of Sagentia Group AG, except that the share capital, share premium and reserve accounts have been restated to create a merger reserve, to reflect the position assuming the share for share exchange had occurred at this date. The merger reserve shown within the Company accounts is the difference between the market value of the shares acquired and the nominal value of the shares issued. The merger reserve shown within the Group accounts is the difference between the net asset value of the assets acquired and the nominal value of the shares issued.

The Company-only results of Sagentia Group plc are for the period from 17 March 2008 to 31 December 2008 only.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value, as allowed by IAS39 Financial Instruments: Recognition and Measurement. Of the new Standards and Interpretations effective for the year ended 31 December 2008, listed below, there was no impact on the presentation of the financial statements of Sagentia Group plc.

Number	Title
IFRIC 11	IFRS2: Group and treasury share transactions
IFRS 12	Service Concession Arrangements
IFRIC 14	Defined Benefit Asset and Minimum Funding Requirements

Notes to the Financial Statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Number	Title	Effective
IAS 1	Presentation of Financial Statements (revised 2007) – Statement of Changes in Equity will no longer be presented as a primary statement	1 January 2009
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IAS 32 (Amendment)	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 July 2009
IFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
IFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	From 1 July 2009

IAS 1, Presentation of Financial Statements (revised 2007), will result in changes to the presentation of Sagentia's financial statements as the format currently adopted for the Statement of Changes in Equity will no longer be permitted. Instead, Sagentia will present a Statement of Comprehensive Income combining the existing Income Statement with other income and expenses currently presented as part of the Statement of Changes in Equity. In addition, Sagentia will present a separate Statement of Changes in Equity showing owner changes in equity.

IAS 23, Borrowing Costs (revised 2008), requires that borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of the asset. The standard must be applied for accounting periods beginning on or after 1 January 2009. Sagentia's current accounting policy is to recognise borrowing costs in the Income Statement as incurred. Where Sagentia has funded the acquisition or construction of property, plant and equipment through borrowings, application of the standard is expected to increase the cost of the asset and the depreciation charge and reduce finance costs.

IFRS 3, Business Combinations (revised 2009), will apply to any future business combinations that Sagentia may undertake once it is in force. Sagentia has no plans to adopt the revised standard in advance of its mandatory implementation date and it is not possible to quantify the effect of the standard on future business combinations until those combinations take place. The other standards and interpretations are not expected to have any significant impact on Sagentia's financial statements, in their periods of initial application, except for the additional disclosures on operating segments when IFRS 8 Operating Segments comes into effect.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying 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.

2.2 Basis of consolidation

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

Sagentia financial statements consolidate the financial statements of Sagentia Group plc and its subsidiary undertakings drawn up to 31 December of each year. Sagentia Group AG was incorporated in 1996 under the name of Catella AG and in 1998 changed its name to The Generics Group AG; and in 2006 changed its name to Sagentia Group AG. Sagentia Group AG, as part of a group reorganisation, became the parent of The Generics Group Ltd (now Sagentia Holdings Ltd) in 1998 via a share for share exchange in that company. The Company, as part of a group rebranding exercise, changed its name again during 2006 to Sagentia Group AG. This combination qualified as a group reconstruction. Thus the results and cash flows of the combined entities were brought into the financial statements of the combined entity as though they had always been combined. In March 2008 Sagentia Group plc was incorporated in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange. See Acquisition of Sagentia Group AG by Sagentia Group plc in section 2.1.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

The basis of consolidation is set out below:

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

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

Investments – Investments are investments in which Sagentia does not hold significant influence. Where Sagentia holds these investments for ultimate disposal and capital gain, they are accounted for in accordance with IAS39, and are designated as at fair value through profit and loss.

2.3 Segment reporting

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

2.4 Intangible assets

Computer software

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

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

Computer software development costs recognised as assets (see 2.7 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 individual project's criteria

are met that would allow such costs to be capitalised. Sagentia recognises an intangible asset if it believes it can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its ability to complete and use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits; either by the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- its ability to measure reliably the expenditure attributable to the intangible asset during its development

Identifiable expenditure is then capitalised and amortised over the period during which benefits are expected (three to five years).

2.7 Property, plant and equipment

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

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

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount, when an indicator of impairment is identified, in accordance with the policy Note 2.5.

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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.8 Investments (continued)

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

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

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

Unlisted investments – the valuation methodology used most commonly by Sagentia is the 'price of recent investment', reflecting the early stage nature of the investments. The following considerations are used when calculating the fair value using the 'price of recent investment' guidelines:

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

Controlled investments – Sagentia also undertakes investment activities in investments that are controlled, the performance of which, therefore, cannot be measured by changes in fair value arising from the investment activity of Sagentia. Sagentia identifies these activities separately as venture subsidiaries, and such investments are consolidated, in accordance with Sagentia's policy on consolidation.

2.9 Trade receivables

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

2.10 Cash and cash equivalents

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

2.11 Borrowings

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

Borrowings are classified as current liabilities unless Sagentia has an unconditional right to defer settlement of the liability

for at least 12 months after the balance sheet date.

2.12 Share capital

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

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

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

2.13 Revenue recognition

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

- consulting revenues are recognised in proportion to the stage of completion of each project. The stage of completion takes into account the milestones achieved in relation to the project deliverables. Any success elements of consultancy revenues are recognised in the period when believed to be relatively certain and attributable
- licence and royalty income is recognised in the related period in line with the contract
- share of manufacturer's margin – income recognised in the related period in line with the agreement
- management fees (and any carried interest income) relating to the provision of investment management services are recognised when earned. Management fees are typically a percentage of funds under management
- rental income from leases over property held is recognised in the related period in line with the lease agreement

2.14 Long term contracts

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.15 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

2.16 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies based on a percentage of salary earned, currently ranging between 0% and 20%, or trustee-administered funds determined by periodic actuarial calculations. Sagentia has defined contribution plans. A defined contribution plan is a pension plan under which Sagentia pays fixed contributions into a separate

entity. Sagentia has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

(b) Share-based compensation

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

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. Sagentia has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 January 2004 to those options that were issued after 7 November 2002 but that had not vested by 1 January 2005.

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.17 Deferred income tax

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

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

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

2.18 Income tax

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

2.19 Leases

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

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

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

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

2.20 Capitalisation of borrowing costs and interest

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount. Finance costs which are directly attributable to the construction of qualifying

assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

2.21 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. However, no other type of Sagentia's financial instruments currently falls into this category.

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Foreign currency sensitivity

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

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

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

Sagentia has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of Sagentia's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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

2008 £000	US\$	Euro	HK\$	Swedish Krona	Other
Financial assets	1,528	972	155	285	7,825
Financial liabilities	(33)	(16)	(59)	(133)	(1,631)
Short term exposure	1,495	956	96	152	6,194
Financial assets	-	-	-	-	5,291
Financial liabilities	-	-	-	(73)	(9,846)
Long term exposure	-	-	-	(73)	(4,555)
2007 £000	US\$	Euro	HK\$	Swedish Krona	Other
Financial assets	911	523	284	144	5,180
Financial liabilities	(17)	(51)	(44)	(93)	(1,439)
Short term exposure	894	472	240	51	3,741
Financial assets	17	-	-	-	7,553
Financial liabilities	-	-	(10)	(65)	(7,368)
Long term exposure	17	-	(10)	(65)	185

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 +/- 25% change of the GBP/US dollar exchange rate for the year ended at 31 December 2008 (2007: 5%). A +/- 20% change is considered for the GBP/Euro exchange rate (2007: 10%). A +/- 20% change is considered for the GBP/Hong Kong dollar exchange rate (2007: 5%). Each of these percentages has been determined based on the month on month volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Sagentia's foreign currency financial instruments held at each balance sheet date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the GBP had strengthened against the US dollar, Euro and Hong Kong dollar by 25% (2007: 5%), 20% (2007: 10%) and 20% (2007: 5%) respectively then this would have had the following impact:

2008 £000s	US\$	Euro	HK\$	Total
Profit and loss	(374)	(191)	(19)	(584)
Equity	(374)	(191)	(19)	(584)

If the GBP had weakened against the US dollar, Euro and Hong Kong dollar by 25% (2007: 5%), 20% (2007: 10%) and 20% (2007: 5%) respectively then this would have had the following impact:

2008 £000s	US\$	Euro	HK\$	Total
Profit and loss	374	191	19	584
Equity	374	191	19	584

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Interest-rate sensitivity

Sagentia's policy is to minimise interest-rate cash flow exposures on long term financing. Longer term borrowings are therefore usually at fixed rates. At 31 December 2008, Sagentia is exposed to changes in market interest rates through its short term bank borrowings, which are subject to variable interest rates – see Note 20 for further information.

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

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

	2008 £000	2007 £000
Sterling – bank loan	9,000	7,578
Swedish Krona – bank loan	113	58
	9,113	7,636
Weighted average interest-rate	%	%
Sterling – fixed rate bank loan	7.1	7.1
Sterling – floating rate bank loan	Base+0.8%	Base+0.8%
Swedish Krona – floating rate bank loan	5.5	5.5

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

The bank loans are secured via a fixed charge over assets of Sagentia and are repayable as disclosed in Note 20.

Terms and conditions of the interest-rate swap are as disclosed in Note 18.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (2007: +/- 0.5%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on Sagentia's financial instruments held at each balance sheet date. All other variables are held constant.

	2008 £000	2008 £000	2007 £000	2007 £000
Net result for the year	+1.0%	-1.0%	+0.5%	-0.5%
Equity	(45)	45	(12)	12
	(45)	45	(12)	12

(c) Price risk

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

Sagentia holds 2,234,540 shares (2007: 2,234,540 shares) in CMR Fuel Cells plc. If the share price moves by +/- 1 pence then Sagentia's investment at fair value moves by +/- £22,345.

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

policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in Sagentia's favour.

(d) Credit risk analysis

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) 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:

	2008 £000	2007 £000
Classes of financial assets – carrying amounts		
- loans and receivables – non current assets Designated at fair value through profit and loss	1,200	1,678
- equity investments	4,091	5,892
Cash and cash equivalents	5,341	859
Trade and other receivables	5,425	6,183
	16,057	14,612

Sagentia continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and / or reports on customers and other counterparties are obtained and used. Sagentia's policy is to deal only with creditworthy counterparties.

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

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

In respect of trade and other receivables, Sagentia is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(e) Liquidity risk analysis

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

Sagentia maintains cash to meet its liquidity requirements in interest bearing current accounts. Funding for long term liquidity needs is secured by committed credit facilities.

As at 31 December 2008, Sagentia's liabilities have contractual maturities which are summarised below:

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

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

2007	Current		Non current	
	within 6 months £000	6 to 12 months £000	1 to 5 years £000	Later than 5 years £000
Bank loans	823	-	7,243	-
Trade payables	821	-	-	-
Derivatives	-	-	200	-
	1,644	-	7,443	-

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(f) Summary of financial assets and liabilities by category

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

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Non current assets				
Loans and receivables	-	-	1,200	1,678
Designated at fair value through profit and loss – equity investments	10,510	-	4,091	5,892
	10,510	-	5,291	7,570
Current assets				
Trade and other receivables:				
- trade receivables	-	-	5,425	6,183
Cash and cash equivalents	-	-	5,341	859
	-	-	10,766	7,042
Non current liabilities				
Borrowings:				
- other financial liabilities at amortised cost	-	-	9,430	7,243
Derivative financial instruments:				
- financial liabilities held for trading (carried at fair value through profit and loss)	-	-	489	200
	-	-	9,919	7,443
Current liabilities				
Borrowings:				
- financial liabilities at amortised cost	1	-	113	823
Amounts due to Group undertakings	496	-	-	-
Trade payables:				
- financial liabilities measured at amortised cost	23	-	1,760	821
	520	-	1,873	1,644

3.2 Fair value estimation

(a) Financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Sagentia is the current bid price. Non quoted financial assets are valued using BVCA methodology.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Sagentia uses a variety of methods and makes assumptions that are based on market conditions existing at each balance

sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for non-traded financial instruments.

(b) Interest-rate swaps

The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

(c) Trade receivables and payables

Trade receivables and payables are valued at amortised cost, where the amount payable or receivable plus cost of credit is assumed to approximate their fair value.

Notes to the Financial Statements continued

4 Segment information

Primary reporting format – business segments

On 31 December 2008, Sagentia was organised on a worldwide basis into four main business segments:

Year ended 31 December 2008	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
Fees	22,351	44	214	3,329	25,938
Recharged project expenses	4,005	-	-	429	4,434
Licence/royalty income	254	-	-	-	254
Less: Inter company trading	(41)	-	-	(1,514)	(1,555)
Revenue	26,569	44	214	2,244	29,071
Expenses	(20,664)	(1,027)	(216)	(2,945)	(24,852)
Recharged project expenses	(4,005)	-	-	(429)	(4,434)
Less: Inter company trading	41	-	-	1,514	1,555
Expenses	(24,628)	(1,027)	(216)	(1,860)	(27,731)
Gross profit (loss)	1,941	(983)	(2)	384	1,340
Profit on disposal of investments	-	-	-	-	-
Change in fair value of financial assets	-	-	(1,982)	-	(1,982)
Redomiciliation costs	-	-	-	(589)	(589)
Cost of options	(146)	-	-	(24)	(170)
Operating profit (loss)	1,795	(983)	(1,984)	(229)	(1,401)
Finance charges	-	-	-	-	(809)
Loss before income tax	-	-	-	-	(2,210)
Tax income	-	-	-	-	123
Loss for the year	-	-	-	-	(2,087)
Balance sheet analysis					
Intangible assets	14	-	-	-	14
- amortisation	(13)	-	-	-	(13)
Property, plant and equipment	4,511	283	-	16,731	21,525
- depreciation	(3,819)	(10)	-	(2,688)	(6,517)
	693	273	-	14,043	15,009
Investments	-	-	5,291	-	5,291
Deferred income tax assets	-	-	-	2,633	2,633
Current assets (excluding cash)	6,467	83	-	298	6,848
Cash and cash equivalents	3,887	567	-	887	5,341
Total assets	11,047	923	5,291	17,861	35,122
Total liabilities	6,282	658	-	13,239	20,179
Total equity	4,765	265	5,291	4,622	14,943
Total equity and liabilities	11,047	923	5,291	17,861	35,122

Notes to the Financial Statements continued

4 Segment information (continued)

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

Year ended 31 December 2007	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
Fees	17,852	169	689	2,621	21,331
Recharged project expenses	2,737	-	-	-	2,737
Licence/royalty income	387	-	-	-	387
Less: Inter company trading	(50)	-	(226)	(1,217)	(1,493)
Revenue	20,926	169	463	1,404	22,962
Expenses	(17,699)	(1,559)	(634)	(2,574)	(22,466)
Recharged project expenses	(2,737)	-	-	-	(2,737)
Less: Inter company trading	50	-	226	1,217	1,493
Expenses	(20,386)	(1,559)	(408)	(1,357)	(23,710)
Gross (loss) profit	540	(1,390)	55	47	(748)
Profit on disposal of investments	-	-	1,376	-	1,376
Change in fair value of financial assets	-	-	(3,701)	-	(3,701)
Bonus accrual	-	-	327	-	327
Cost of options	(67)	-	(7)	(9)	(83)
Operating loss	473	(1,390)	(1,950)	38	(2,829)
Finance charges	-	-	-	-	(485)
Loss before income tax	-	-	-	-	(3,314)
Tax income	-	-	-	-	80
Loss for the year	-	-	-	-	(3,234)
Balance sheet analysis (restated)					
Intangible assets	14	-	-	-	14
- amortisation	(9)	-	-	-	(9)
Property, plant and equipment	4,441	44	16	16,724	21,225
- depreciation	(3,999)	(44)	(16)	(2,592)	(6,651)
	447	-	-	14,132	14,579
Investments	-	-	7,570	-	7,570
Deferred income tax assets	-	-	-	2,657	2,657
Current assets (excluding cash)	7,460	39	(1,588)	1,881	7,792
Cash and cash equivalents	(169)	1	201	826	859
Total assets	7,738	40	6,183	19,496	33,457
Total liabilities	5,661	14	2	10,242	15,919
Total equity	2,077	26	6,181	9,254	17,538
Total equity and liabilities	7,738	40	6,183	19,496	33,457

Notes to the Financial Statements continued

4 Segment information (continued)

Capital expenditure by business and geographical segment

Year ended 31 December 2008	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
United Kingdom	275	283	-	-	558
Other European countries	138	-	-	-	138
North America	58	-	-	-	58
Other	10	-	-	-	10
	481	283	-	-	764

Year ended 31 December 2007	Consulting and IP exploitation £000	Venture subsidiaries £000	Asset management £000	Property and central services £000	Total £000
United Kingdom	70	-	-	5	75
Other European countries	92	-	-	-	92
North America	17	-	-	-	17
Other	16	-	-	-	16
	195	-	-	5	200

Secondary reporting format – geographical segments

Sagentia's four business segments operate in four main geographical areas, even though they are managed on a worldwide basis. Revenue by geographical area is as follows:

	United Kingdom £000	Other European countries £000	North America £000	Other £000	Total £000
Year ended 31 December 2008	19,179	5,078	3,892	922	29,071
Year ended 31 December 2007	11,839	5,555	4,736	832	22,962

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

Assets by geographical area are as follows:

	United Kingdom £000	Other European countries £000	North America £000	Other £000	Total £000
Year ended 31 December 2008	27,990	6,029	909	194	35,122
Year ended 31 December 2007	25,187	7,374	585	311	33,457

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

Notes to the Financial Statements continued

5 Operating expenses

Expenses by nature

Year ended 31 December	Note	2008 £000	2007 £000
Employee benefit expenses (excluding share options)	7	14,085	13,303
Rechargeable project expenses		4,005	2,737
Operating third party expenses		3,468	1,473
Occupancy costs		1,492	1,684
Equipment and consumables		880	918
Selling and marketing expenses		1,785	1,654
Depreciation of property, plant and equipment	13	371	405
Patent fees		141	293
Recruitment and training		670	345
Amortisation of intangible assets	12	4	4
Foreign currency losses (gains)		-	16
Other		834	878
		27,731	23,710

Included above	2008 £000	2007 £000
Research and development	6,227	6,085
Operating lease rentals		
Plant and machinery	62	52
Other	55	138
Auditors' remuneration		
Services to the Company and its subsidiaries:		
Fees payable to the Company's auditors for the audit of the financial statements	13	23
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	73	63
Other services supplied pursuant to legislation	-	7
Other services relating to corporate finance transaction	60	-

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:

Year ended 31 December	2008 £000	2007 £000
Finance income		
Bank interest receivable and similar income	16	86
Finance costs		
Bank loans and overdrafts	(536)	(552)
Other financial result		
Year ended 31 December	2008 £000	2007 £000
Change in fair value of interest-rate swap	(289)	(19)

7 Employee benefit expenses

Employment costs are shown below:

Year ended 31 December	2008 £000	2007 £000
Wages and salaries (including bonuses and healthcare costs)	11,401	10,807
Social security costs	1,717	1,538
Share options granted to Directors and employees	170	83
Other pension costs	966	958
	14,254	13,386

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

Year ended 31 December	2008 Number	2007 Number
Technology consultants	171	153
Marketing, support, administration and other technically-qualified staff	53	60
	224	213

8 Directors' remuneration, interests and transactions

Aggregate remuneration

Year ended 31 December	2008 £000	2007 £000
Emoluments	408	154
Bonuses	120	-
Money purchase pension scheme contributions	34	2
	562	156

Notes to the Financial Statements continued

8 Directors' remuneration, interests and transactions (continued)

Directors' emoluments and benefits include:

Year ended 31 December 2008					
Name of Director	Salary/ fee £000	Bonuses £000	Taxable benefits £000	Pension contribution £000	Total £000
Masters	50	-	-	-	50
Brown	112	73	1	18	204
Flicos	129	27	2	3	161
McCarthy	88	20	1	13	122
Ahlberg	10	-	-	-	10
Kylberg	15	-	-	-	15
Aggregate emoluments	404	120	4	34	562

Year ended 31 December 2007					
Name of Director	Salary/ fee £000	Bonuses £000	Taxable benefits £000	Pension contribution £000	Total £000
Masters	50	-	-	-	50
Brown	-	-	-	-	-
Flicos	88	-	1	2	91
McCarthy	-	-	-	-	-
Ahlberg	-	-	-	-	-
Kylberg	15	-	-	-	15
Aggregate emoluments	153	-	1	2	156

Directors' emoluments and benefits are stated for the Directors to Sagentia Group plc only. They include all emoluments and benefits earned from the date of appointment to the Board of Sagentia Group plc together with any emoluments and benefits earned for those directors of Sagentia Group AG prior to the appointment as Directors of Sagentia Group plc.

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

Of the share based payment charge shown in the Consolidated Income Statement for 2008, £8,000 relates to Brown and £1,000 to both Flicos and McCarthy (2007: £Nil).

9 Tax income

The tax credit comprises:

Year ended 31 December	2008 £000	2007 £000
Foreign taxation	15	(16)
Current taxation	108	96
Deferred taxation (Note 10)	-	-
	123	80

Notes to the Financial Statements continued

9 Tax income (continued)

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

	2008 £000	2007 £000
Loss before tax	(2,210)	(3,314)
Tax calculated at domestic tax rates applicable to profits (losses) in the respective countries	(630)	(994)
Expenses not deductible for tax purposes	624	545
Income not subject to tax	(20)	(101)
Accelerated capital allowances	(139)	(205)
R&D tax relief	(228)	(203)
R&D tax credit received in respect of prior years	(104)	(96)
Other temporary differences	(5)	33
Tax losses for which no deferred income tax asset was recognised	379	941
Tax credit	(123)	(80)

- The weighted average statutory applicable tax rate was 28.5% (2007: 30%)
- The Group has available tax losses of approximately £68.8m (2007: £78.8m)

10 Deferred income tax

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

	2008 £000	2007 £000
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	2,633	2,657
	2,633	2,657
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	(2,633)	(2,657)
	(2,633)	(2,657)
Total	-	-

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

	2008 £000	2007 £000
Beginning of the year	-	-
Exchange differences	-	-
Income statement charge (Note 9)	-	-
End of year	-	-

Notes to the Financial Statements continued

10 Deferred income tax (continued)

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

	Deferred tax liability**	Deferred tax asset*	Total
At 1 January 2007	(3,014)	3,014	-
Charged/(credited) to the income statement	357	(357)	-
Exchange differences	-	-	-
At 31 December 2007	(2,657)	2,657	-
Charged/(credited) to the income statement	24	(24)	-
Exchange differences	-	-	-
At 31 December 2008	(2,633)	2,633	-

*Tax losses

**Accelerated tax depreciation

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Sagentia did not recognise deferred income tax assets of £16,982,000 (2007: £20,994,000) in respect of losses amounting to £59,586,000 (2007: £70,273,000) and other temporary differences amounting to £68,000 (2007: £88,000) that can be carried forward against future taxable income. The Company did not recognise deferred income tax assets of £6,000 in respect of losses amounting to £13,000 that can be carried forward against future taxable income.

11 Loss per share

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

	2008 £000	2007 £000
		Basic
Loss for the financial year	(2,087)	(3,234)

	2008 Number	2007 Number
Weighted average number of shares:		
For basic earnings per share	21,474,900	21,474,900
For fully diluted earnings per share	21,582,916	21,474,900

Only the share options granted, as disclosed in Note 17, are dilutive. Options have no dilutive effect in loss-making years, and hence the diluted loss per share for 2008 is the same as the basic loss per share.

Notes to the Financial Statements continued

12 Intangible assets

Group	Software £000
At 1 January 2007	
Cost	14
Accumulated amortisation	(5)
Net book amount	9
Year ended 31 December 2007	
Opening net book amount	9
Amortisation charge	(4)
Closing net book amount	5
At 31 December 2007	
Cost	14
Accumulated amortisation	(9)
Net book amount	5
Year ended 31 December 2008	
Opening net book amount	5
Amortisation charge	(4)
Closing net book amount	1
At 31 December 2008	
Cost	14
Accumulated amortisation	(13)
Net book amount	1

Computer software is amortised on a straight-line basis over its estimated useful life of three years. The annual amortisation charge is recognised in operating expenses of core operations in the Income Statement.

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

Notes to the Financial Statements continued

13 Property, plant and equipment

Group	Freehold land and buildings £000	Furniture and fittings £000	Equipment £000	Total £000
At 1 January 2007				
Cost	16,682	1,189	3,200	21,071
Accumulated depreciation	(2,474)	(920)	(2,890)	(6,284)
Net book amount	14,208	269	310	14,787
Year ended 31 December 2007				
Opening net book amount	14,208	269	310	14,787
Exchange differences on cost	-	(1)	(13)	(14)
Exchange differences on depreciation	-	1	9	10
Additions	-	48	152	200
Disposals	-	-	(32)	(32)
Depreciation charge	(85)	(104)	(216)	(405)
Depreciation on disposals	-	-	28	28
Closing net book amount	14,123	213	238	14,574
At 31 December 2007				
Cost	16,682	1,236	3,307	21,225
Accumulated depreciation	(2,559)	(1,023)	(3,069)	(6,651)
Net book amount	14,123	213	238	14,574
Year ended 31 December 2008				
Opening net book amount	14,123	213	238	14,574
Exchange differences on cost	-	15	233	248
Exchange differences on depreciation	-	(14)	(193)	(207)
Additions	-	179	585	764
Disposals	-	-	(712)	(712)
Depreciation charge	(86)	(92)	(193)	(371)
Depreciation on disposals	-	-	712	712
Closing net book amount	14,037	301	670	15,008
At 31 December 2008				
Cost	16,682	1,430	3,413	21,525
Accumulated depreciation	(2,645)	(1,129)	(2,743)	(6,517)
Net book amount	14,037	301	670	15,008

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 (2007: £1,360,000) which has not been depreciated. Cumulative interest capitalised up to 31 December 2003 was £340,000. No further interest has been capitalised since. The property was last valued during August 2008 by Savills for Lloyds TSB. Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation for the building under a sale and leaseback scenario is £13.75m. The Directors therefore do not believe that the carrying value of the property is significantly different to its fair value.

The property generated rental income of £2,249,000 in 2008 (2007: £1,713,000) of which £989,000 (2007: £868,000) was charged to related Group companies. The interest in freehold land and buildings has been charged as security to the bank loan (see Note 20).

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

Notes to the Financial Statements continued

14 Investments

Designated at fair value through profit or loss	Company			Group		
	Equity investments £000	loans and receivables £000	Total £000	Equity investments £000	loans and receivables £000	Total £000
Fair value, January 2007	-	-	-	9,443	1,836	11,279
Additions	-	-	-	315	-	315
Disposals	-	-	-	(130)	(193)	(323)
Change in fair value	-	-	-	(3,736)	35	(3,701)
Foreign exchange	-	-	-	-	-	-
Fair value, December 2007	-	-	-	5,892	1,678	7,570
Fair value, January 2008	-	-	-	5,892	1,678	7,570
Additions	10,510	-	10,510	-	-	-
Disposals	-	-	-	(216)	(84)	(300)
Change in fair value	-	-	-	(1,590)	(392)	(1,982)
Impairment of financial assets	-	-	-	-	-	-
Foreign exchange	-	-	-	5	(2)	3
Fair value, December 2008	10,510	-	10,510	4,091	1,200	5,291

All disposals during the year were for a cash consideration.

Financial assets held at fair value include the following:

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Quoted securities				
Cost – equity securities – UK	-	-	1,268	1,425
– equity securities – US	-	-	-	-
	-	-	1,268	1,425
Fair value adjustment	-	-	380	701
	-	-	1,648	2,126
Unquoted securities				
Cost	10,510	-	6,273	10,202
Fair value adjustment	-	-	(3,830)	(6,436)
	10,510	-	2,443	3,766
Financial assets held at fair value	10,510	-	4,091	5,892

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

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

Notes to the Financial Statements continued

14 Investments (continued)

Disposal of subsidiary undertakings in 2008

Group	Chord Capital Ltd £000
Non current assets	-
- intellectual property	-
- property, plant and equipment	-
Current assets	49
Borrowings	-
Current liabilities	(39)
Total equity	10
Minority interests	-
Cash invested	-
Realised profit on sale	-
Unrealised gain on issue of shares	-
Cost of investment	-
Sale proceeds	10

Chord Capital Ltd, and its subsidiary Cascade Generics Ltd, were sold in July 2008 for a total cash consideration of £10,000, before costs of disposal of £Nil. Chord Capital Ltd incurred a loss after taxation and minority interests of £2,000 before the disposal.

During 2008, Chord Capital Ltd utilised £11,000 of Sagentia's net operating cash flows, paid £Nil in respect of net returns on financial assets and servicing of finance, and utilised £Nil for capital expenditure and financial investment.

The sale of Intrasonics Ltd to Mainframe Participaties BV was the only disposal of operating subsidiaries during 2007.

Principal Group investments

Sagentia held investments in the following subsidiaries and investments at 31 December 2008. To avoid a statement of excessive length, details of investments that are not significant have been omitted.

Subsidiary and investments of Sagentia Group plc	Country of incorporation	Principal activity	Shares held	%
Core Operations				
Sagentia Group AG	Switzerland	Holding company	Ordinary	99.6
Sagentia Holdings Ltd	England	Holding company	Ordinary	100
Sagentia Ltd	England	Consultancy	Ordinary	100
Manage5Nines Ltd	England	IT Consultancy	Ordinary	80
Sagentia Inc	USA	Consultancy	Ordinary	100
Sagentia SGAI Ltd	Hong Kong	Consultancy	Ordinary	63
Sagentia GmbH	Germany	Consultancy	Ordinary	100
Sagentia Catella AB	Sweden	Battery technology	Ordinary	100
Venture subsidiaries				
AtraNova™ Ltd	England	Battery technology	Ordinary	81
Sensopad Ltd	England	Sensor technology	Ordinary	77
Sagentia Sensors Ltd	England	Sensor technology	Ordinary	77
Investments				
Sphere Medical Holding Ltd	England	Medical sensor technology	Ords & A's	11
CMR Fuel Cells plc*	England	Fuel cell technology	Ordinary	11
Atraverda™ Ltd	England	Battery technology	Ords & A's	18
Sensortec Ltd	Jersey	Environmental sensing technology	Ordinary	12

* Quoted on the UK Alternative Investment Market (AIM)

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

Notes to the Financial Statements continued

15 Trade and other receivables

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Current assets:				
Trade receivables	-	-	5,651	6,280
Provision for impairment	-	-	(226)	(97)
Trade receivables – net	-	-	5,425	6,183
Amounts recoverable on contracts	-	-	737	1,350
VAT	6	-	73	23
Prepayments and accrued income	-	-	533	177
	6	-	6,768	7,733
Current tax asset	-	-	80	59
	6	-	6,848	7,792

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 found to be impaired and a provision of £226,000 has been provided in the year (2007: £97,000).

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

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Not more than three months	-	-	5,128	6,025
More than three months but not more than six months	-	-	255	123
More than six months but not more than one year	-	-	42	22
More than one year	-	-	-	13
	-	-	5,425	6,183

16 Cash and cash equivalents

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Short term bank deposits	-	-	-	-
Cash at bank and in hand	-	-	5,341	859
	-	-	5,341	859

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

	Group	
	2008 £000	2007 £000
Cash held within spin-out companies	567	1

Effective interest rates achieved are shown in Note 3.

Notes to the Financial Statements continued

17 Called-up share capital

	2008	2007
	£000	£000
<i>Authorised</i>		
Ordinary shares of CHF 0.10 each	464	464
Convertible preference shares of £1.00 each	50	-
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	215	215
Convertible preference shares of £1.00 each	50	-
	Number	Number
<i>Authorised</i>		
Ordinary shares of £0.01 each	46,386,390	46,386,390
Convertible preference shares of £1.00 each	50,000	-
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	21,474,900	21,474,900
Convertible preference shares of £1.00 each	50,000	-

• The 2007 comparatives show the consolidated position as though the ordinary shares were in issue and had been exchanged for Sagentia Group AG shares in line with the accounting treatment explained in Note 2

Sagentia Group plc was incorporated in England and Wales on 17 March 2008. Authorised share capital on incorporation comprised 46,386,390 ordinary shares of £0.01 each and 50,000 convertible preference shares of £1 each. Of the ordinary shares, two were issued at par on incorporation. The remainder have been issued over six tranches between 8 July 2008 and 14 November 2008 as part of the Sagentia Group plc offer for Sagentia Group AG, where one Sagentia Group plc share was exchanged for 10 Sagentia Group AG shares.

The convertible preference shares were issued at par on 30 May 2008. Each convertible preference share may be converted into 2.96 ordinary shares (the total ordinary shares created to be rounded down to the nearest whole number).

Sagentia Group plc holds an interest in its own shares. At 31 December 2008, Sagentia Group AG held 61,080 (2007: 61,080) ordinary shares of £0.01 each in Sagentia Group plc, and the Sagentia Group Employee Share Trust held 50,000 (2007: Nil) convertible preference shares and 4,210 (2007: 4,210) ordinary shares in Sagentia Group plc. These shares are to be utilised against share options already granted.

On 9 January 2009 a further 19,671 shares were issued in exchange for 196,721 Sagentia Group AG shares.

The value of Sagentia Group plc shares, as quoted on the London Stock Exchange plc at 31 December 2008, was 17.0 pence per share (2007: 40.0 pence).

	2008	
	Number	Weighted average exercise price
At beginning of year	-	-
Granted during year	1,587,654	17.5
Issued in exchange for Sagentia Group AG options	971,831	45.0
At end of year	2,559,485	27.9

No options were exercised in 2008 or 2007.

Exercise of an option is subject to continued employment, and normally lapses upon leaving employment, although this period may be extended where an employee is deemed a 'good leaver'. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations; expected dividends were assumed to be nil; possibility of ceasing employment before vesting was assumed to be nil. The risk free rate was taken as 3%. Volatility is taken from data provided by Bloomberg LP over an appropriate time period, usually being a 100 day rolling average. Other assumptions which varied with the option issue are given in the next table. The total charge for the year under the Black-Scholes model relating to employee share based payment plans was £170,000 (2007: £83,000), all of which related to equity-settled share based payment transactions. After deferred tax the total charge was £170,000 (2007: £83,000). The fair value per option granted and the assumptions used in the calculation are as follows:

Notes to the Financial Statements continued

17 Called-up share capital (continued)

At 31 December 2008, options granted to subscribe for ordinary shares of the company are as follows:

Date of grant	Option exercise period		Number of shares under option					
	From (1)	To (2)	Approved scheme	Unapproved scheme	Exercise price (pence) (3)*	Fair value of options (pence) (4)	Expected life (years)	Volatility
Dec 2007 (5)	Dec 2007	Dec 2009	-	826,986	45.0	28.8	10	58%
Mar 2008 (5)	Mar 2008	Mar 2010	-	144,845	45.0	28.8	10	58%
Nov 2008	Nov 2008	Nov 2011	1,483,741	103,913	17.5	9.93	10	42%
			1,483,741	1,075,744				

(1) Subject to earlier exercise in certain limited circumstances. Where range of dates provided, shares under option have been granted with exercise periods which commence on different dates.

(2) Where range of dates provided, shares under options have been granted with exercise periods which expire on different dates.

(3) The exercise price is also the share price at grant date.

(4) The fair value of options has not been calculated for options granted but not expired before November 2002 in accordance with IFRS2.

(5) Originally issued as options over Sagentia Group AG shares.

18 Other non current liabilities

	Company		Group		
	Note	2008 £000	2007 £000	2008 £000	2007 £000
Loans from minorities to subsidiaries	20	-	-	430	430
Bank loans	20	-	-	9,000	6,813
				9,430	7,243
Other creditors		-	-	90	69
Fair value of interest-rate swap		-	-	489	200
Deferred income tax liabilities		-	-	2,633	2,657
		-	-	12,642	10,169

Loans from minorities to subsidiaries and bank loans:

See explanation per Note 20.

Fair value of interest-rate swap:

The interest-rate swap was used to fix separately the interest rate on the original floating rate mortgage over the property at Harston Mill at 6.1%. The swap matched the original repayment schedule envisaged over 10 years from £8.0m to £2.5m. The loan balance was expected to be, and hence the amount covered by the swap agreement is, £4.4m at the end of 2008 (2007: £5.0m).

19 Current liabilities

	Company		Group		
	Note	2008 £000	2007 £000	2008 £000	2007 £000
Trade and other payables – current					
Payments received on account		-	-	2,439	1,345
Trade payables		23	-	1,258	821
Loans from minorities to subsidiaries		-	-	502	-
Other taxation and social security		42	-	528	613
Amounts owed to Group undertakings	23	496	-	-	-
VAT		-	-	122	448
Accruals		25	-	2,077	1,664
		586	-	6,926	4,891
Bank loans and overdrafts	20	1	-	113	823
Current tax liabilities		-	-	-	36
		587	-	7,039	5,750

Notes to the Financial Statements continued

20 Borrowings

Group	Note	2008			2007		
		UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
Non current							
Bank borrowings	18	9,000	-	9,000	6,813	-	6,813
Loans from minorities to subsidiaries	18	430	-	430	430	-	430
		9,430	-	9,430	7,243	-	7,243
Current							
Bank borrowings	19	-	113	113	765	58	823
Total borrowings		9,430	113	9,543	8,008	58	8,066

Company	Note	2008			2007		
		UK £000	Foreign £000	Total £000	UK £000	Foreign £000	Total £000
Non current							
Bank borrowings	18	-	-	-	-	-	-
Loans from minorities to subsidiaries	18	-	-	-	-	-	-
		-	-	-	-	-	-
Current							
Bank borrowings	19	1	-	1	-	-	-
Total borrowings		1	-	1	-	-	-

As at 31 December 2008, Group companies have granted charges over their assets to secure a five year bank loan from March 2006 for £9.0m (2007: £9.0m) for Sagentia Holdings Ltd. The loan is subject to certain banking covenants including that the amount drawn shall not exceed 85% of the value of the charged security, ie that the building has to remain valued in excess of £10.6m; and that the loan does not exceed 70% of consolidated net worth (of Sagentia Group AG consolidated accounts) – ie shareholders equity for Sagentia Group AG does not fall below £12.9m.

The annual revolving facility of £2.0m (2007: £2.0m) for Sagentia Ltd was not renewed in 2008. Of the current bank loans and overdrafts, at 31 December 2008, £9,000,000 (2007: £6,813,000) has been drawn down and is repayable by Sagentia Holdings Ltd to Lloyds TSB Bank plc, and £113,000 (2007: £58,000) is repayable on call by Sagentia Catella AB.

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

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

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Between one and two years	-	-	-	-
Between two and five years	-	-	9,000	6,813
Over five years	-	-	-	-
	-	-	9,000	6,813

An interest-rate swap has fixed approximately half of the loan at an interest rate at 6.13% plus bank charges of 1%, which is payable quarterly. The remainder is at the Lloyds TSB Bank plc base rate of + 0.8%.

Notes to the Financial Statements continued

21 Commitments

Lease commitments

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

	Company		Group	
	2008 £000	2007 £000	2008 £000	2007 £000
Plant and equipment lease commitments				
Operating lease payments:				
- within one year	-	-	46	20
- between one and five years	-	-	41	17
Property lease rentals				
Operating lease payments:				
- within one year	-	-	376	247
-between one and five years	-	-	369	117

22 Capital and other financial commitments

At 31 December 2008 the Group and the Company had commitments of £Nil (2007: £Nil). The Group had a committed un-drawn overdraft facility of £Nil at 31 December 2008 (2007: £2.2m).

At 31 December 2008, the Group had a five year loan facility of £9.0m secured on Harston Mill, Cambridge, UK, of which £9.0m (2007: £6.8m) had been drawn down. This facility is repayable in March 2011 as detailed in Note 20. The Company has no loan facility at 31 December 2008 (2007: £Nil).

23 Related party transactions

The Group provides support, IT and consultancy services to its subsidiaries and made loans as follows:

	2008	2008	2007	2007
	Loans £000	Sale of goods and services £000	Loans £000	Sale of goods and services £000
Group				
Flying Null Ltd	833	-	833	-
Sensopad Ltd	1,068	52	979	129
FD Technologies	160	-	160	-
AtraNova Ltd	1,032	111	494	47
Manage5Nines Ltd	-	648	6	390
Sagentia Public Sector Ltd	-	19	-	-
Sagentia Sensors Ltd	715	300	341	116
	3,808	1,130	2,813	682
Company	2008 Loans £000	2008 Sale of goods and services £000	2007 Loans £000	2007 Sale of goods and services £000
Sagentia Ltd	496	300	-	-
	496	300	-	-

Disclosure is shown above only for subsidiary undertakings in Sagentia when Sagentia owns less than 90% and provides funding and/or other services.

Key personnel are the Executive Directors and Non Executive Directors of Sagentia. Remuneration to key personnel is disclosed in Note 8.

Notes to the Financial Statements continued

24 Critical accounting estimates and judgements

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

24.1 Critical accounting estimates and assumptions

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

(a) Fair value of investments

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

(b) Project accounting

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

(c) Other loans recognition

Sagentia has recognised deferred income amounting to £1,200,000 (2007: £1,677,000) within investments – loans and receivables that will become due and receivable as part of the consideration of the disposal of Sensopad Ltd to TT electronics plc. The repayment of the loan is dependent upon TT electronics plc achieving various target revenues which will generate a royalty payable to Sagentia.

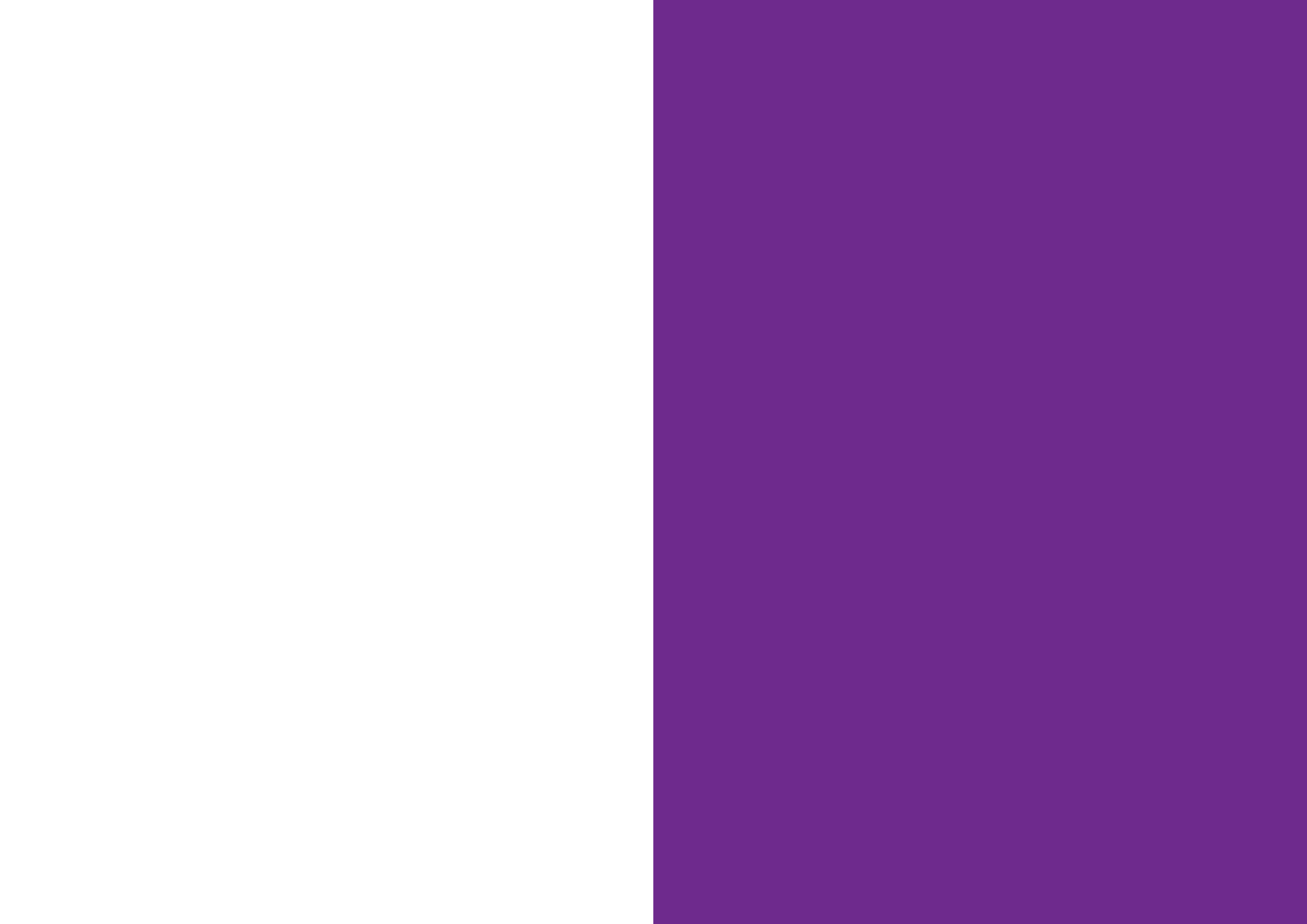
(d) Acquisition of Sagentia Group AG by Sagentia Group plc

These statements consolidate the financial statements of Sagentia Group plc and its subsidiary undertakings drawn up to 31 December of each year. For the purpose of preparing the consolidated accounts the Group reorganisation is not considered to be a business combination under IFRS. Thus, the Directors have treated the results and cash flows of the combined entities brought into the consolidated financial statements of Sagentia Group plc, restating comparative results, as though they had always been combined. The comparative balance sheet at 31 December 2007 is as the position of Sagentia Group AG, except that the share capital, share premium and reserve accounts have been restated to create a merger reserve, to reflect the position assuming the share for share exchange had occurred at this date.

25 Post balance sheet events

CMR Fuel Cells plc announced in a circular to shareholders on 14 January 2009 a Tender Offer Price of 20.0 pence per ordinary share. Sagentia has tendered all its shares, which was accepted on 12 February 2009.

Completion of the Tender Offer is subject to the confirmation by the Court of the proposed Capital Reduction. Subject to the confirmation, it is anticipated that Sagentia will receive cleared funds of £447,000 by 19 March 2009.



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