

2010



Annual Report and Financial Statements

Contents

Chairman’s Statement.....	4
Chief Executive’s Review.....	5 - 6
Financial Review.....	7 - 8
Report of the Directors.....	9
• Corporate Governance Report.....	12
• Board Committees	14
• Report of the Board on Remuneration	15
• Report of the Audit Committee	16
Independent Auditor’s Report	17
Financial Statements.....	18 - 52
• Consolidated Income Statement	19
• Consolidated Statement of Comprehensive Income	20
• Consolidated and Company Statement of Changes in Shareholders Equity	21
• Consolidated and Company Statement of Financial Position	22
• Consolidated and Company Statement of Cash Flows.....	23
• Notes to the Financial Statements	24 - 52

Summary



- New Board and strengthened management team established during the year
- Excellent operating performance, substantially ahead of the Group's plans for the year, reflecting the successful turnaround. Significantly improved operational and financial controls. Simplified corporate structure
- Diluted EPS of 6.9 pence (2009: loss per share of 13.5 pence)
- Profitability ahead of upgraded market expectations
 - Operating profit of £2.5 million (2009: £0.1 million)
 - PBT at £2.2 million (2009: loss of £3.5 million)
 - Net income of £2.3 million (2009: loss of £2.9 million)
- Strong balance sheet with gross cash balance at 31 December 2010 of £16.4 million (2009: £4.2 million) and net funds of £8.6 million (2009: net debt of £2.7 million)

Chairman's Statement

The past year has seen substantial changes for Sagentia, from both an operating and corporate perspective. Through this process, the Group has delivered an excellent operational turnaround, resulting in the best financial performance for more than five years. Furthermore, this performance has been achieved while simultaneously reducing the business risk profile and implementing more robust operational and financial control processes. The excellent operating results in 2010 provide affirmation of the operating strategy and the combination of the operating turnaround, together with the corporate developments, provide a platform for the future development of Sagentia.

Brent Hudson was appointed Chief Executive in October 2009 and, with the operating management team, completed the operational restructuring, including an alignment of the business on industry sectors and a reduction in overhead costs. Throughout the year, the Medical sector has been particularly strong. This business is characterised by a small number of large projects, with a strong North American emphasis. The Consumer and Industrial sectors have a higher volume of smaller projects but with a material proportion of repeat business from the Group's top customers.

During 2010, Sagentia experienced a corporate evolution, with a longstanding major shareholder disposing of its holding to Martyn Ratcliffe. This change enabled the Board to be restructured and an institutional Placing to be completed, strengthening the balance sheet and providing a platform for merger and acquisition opportunities as appropriate. In addition to Martyn Ratcliffe being appointed as Chairman, David Courtley was appointed a Non-Executive Director in April and Neil Elton was appointed Finance Director in August. An additional Non-Executive Director is anticipated to be appointed in the current year. These Board changes provided a catalyst for improving the operational and financial controls, providing greater visibility to the Board and reduced risk for the Group. For example, historically Sagentia has undertaken the vast majority of projects on a fixed price basis, a profile that has now been reversed such that the majority of work now being proposed is on a time and materials basis with any fixed price activities being subject to far greater review and pricing contingency.

The Group's corporate structure has also been simplified, with the legacy Swiss holding company being placed in liquidation; a further seven legacy companies being actioned to enable the companies to be liquidated or struck off; all legacy investments being transferred to Sagentia Holdings Limited and holding values being reviewed; the intra-group long leasehold on Harston Mill being cancelled and the freehold transferred to Sagentia Limited. Furthermore, in January 2011, the minority shareholding in Manage5Nines Limited was acquired and in January / February 2011, the Group's holdings in Sortec Limited and Atranova Limited were sold such that the Group now holds just one legacy investment to which value is attributed on the balance sheet.

In summary, 2010 has been a year of substantial and successful change for Sagentia. Profitability has been restored, growth in the underlying business has been generated, the risk profile has been reduced and the balance sheet has been strengthened. As Sagentia enters the new year, the Board intends to balance operating margin and investment for growth, in order to sustain the progress achieved in 2010. However, as a project-based consultancy, forward visibility is typically limited and, although the Group benefits from sector and geographical diversification, future demand is not predictable. The Board therefore remains prudent in managing the business. Nevertheless, having established a far stronger foundation, the Group now has the opportunity to build on the platform created through both investment in the organic development of Sagentia and to explore merger and acquisition opportunities, if appropriate.

Martyn Ratcliffe
Chairman

28 February 2011

Chief Executive's Review

Following the restructuring of the consultancy operations, Sagentia now services three industry sectors, with each business unit having responsibility for its revenue and profit contribution: Medical (comprising Diagnostics, Surgical and Patient Care sub-sectors), Consumer and Industrial. Most consultants are managed through four skill groups and are deployed onto projects as required, providing the Group with the benefits of scale, customers with the benefits from a breadth of experience and Sagentia's employees with a diversity of technical challenges. Support functions (e.g. finance, marketing etc) are managed centrally.

Medical

The Group's Medical sector had a very strong performance in 2010 and accounted for 60% of the total consultancy revenue. The Diagnostics and Surgical sub-sectors significantly over-performed against their business plans, due to project extensions, new projects from existing customers and new customer wins. These sub-sectors typically undertake large instrumentation development projects for corporate or well-financed start-up organisations and accounted for the Group's top four customers by revenue.

The Patient Care sub-sector was created towards the end of the year by combining the Critical Care and Drug Delivery business units, two less established activities, into a single sub-sector in order to increase the scale of these operations. These sub-sectors performed satisfactorily during 2010 and offer opportunities for growth in the future.

During 2010, the Medical sector developed a number of innovative products and solutions for its customers. Typical of large Medical projects, a number of these are continuing in 2011, including:

- North American start-up company: Development of a device to grow human DNA in order to enable diagnostic tests to be performed on very small samples. This project requires a diversity of skills including pure science (optics and microfluidics) and engineering (industrial design, software, mechanical design and system integration).
- North American surgical device company: Development of the customer's next generation laparoscopic devices. (Minimally Invasive Surgery (MIS) remains an important market for device manufacturers as they respond to changing cost pressures, a constantly shifting regulatory framework and the need for quicker procedures).
- North American medical device company: A production cost reduction project on a long-standing diagnostic device approaching end of life. Using a team in both the UK and Hong Kong, the device, the consumable and two accessories were redesigned, delivering approximately 75% reduction in the ex-factory cost.

Consumer

The Group's Consumer sector exceeded its target in 2010 and accounted for 18% of the total consultancy revenue. The Consumer business undertakes a wide variety of consumer-based projects, with typically a higher proportion of market analysis work than the other sectors. While the average project size is significantly smaller than the Medical projects, the sector has strong customer relationships with considerable repeat business from a number of large international organisations. As a result, during 2010, the top five customers of this business accounted for 56% of the sector revenue. Examples of projects undertaken in the Consumer Sector during the year include:

- European multi-national company: Working with several divisions of this global consumer products company, Sagentia reviewed the formulation of a long established product in order to increase market share; undertook market analysis of devices for delivery of hair care products; and reviewed the technical strategy of a personal care product.
- North American multi-national company: Sagentia has continued to develop its relationship with this global food and drink company, performing a variety of market studies, technical reviews and assisting the scientific research team in improving the productivity of a major product line.

Industrial

The Group's Industrial sector accounted for 22% of the total consultancy revenue. The Industrial sector had a slower start to the year than the other sectors but exceeded its target due to a stronger second half. The Industrial business has a diverse profile with relatively modest average project size. However, during 2010, the business has focused on establishing stronger relationships with a smaller number of customers, as a result of which the top five customers in the sector accounted for 49% of the sector revenue.

The Industrial sector also seeks to develop business opportunities using the Group's sensor intellectual property which has been licensed to a German organisation to expand their product range, delivering £0.3 million of product revenue from this source in 2010. As the most diverse sector in the Group, Industrial has also been working with a North American security company reviewing technical roadmaps and technology analyses and a North American instrument manufacturer to develop their next generation high-end, high accuracy stress/strain measuring device.

Chief Executive's Review continued

Operations

Most of Sagentia's operations are based in Harston, near Cambridge, UK, but the Group also has operations in the USA and Hong Kong. During the year, the USA operations were consolidated into Cambridge, Massachusetts, and significant changes were made to the structure of the US business to support the Group's North American customer base which accounted for approximately 50% of the consulting revenue in 2010. The Group's other international facility in Hong Kong primarily supports the Group's business sectors, providing cost-effective resource and an ability to support Sagentia's customers in transferring product developments into manufacture. Headcount, excluding contract resources (approximately 10), at 31 December 2010 was 153 (31 December 2009: 149), of which approximately 82% were fee-earning consultants.

Investment has also been made in the Group's information management infrastructure. During 2010, a new CRM system to improve the management of the sales process was implemented and the Group's financial management system is currently being upgraded. The improvements in management reporting, together with the implementation of more robust operational and financial processes, provide greater management visibility throughout both sales and project delivery phases of our customer relationships.

In summary, 2010 has been a transformational year for Sagentia. The operating results far exceeded the Board's expectations at the start of the year. Furthermore, the strengthening of the management team, the infrastructure investments and the operational/process improvements provide an excellent platform for the year ahead.

Brent Hudson

Chief Executive

28 February 2011

Financial Review

In the 12 months ended 31 December 2010, the Group generated revenue of £20.8 million (2009: £23.4 million). It should be noted that the 2009 revenue figures include the M-PESA project which transferred out of the Group in September 2009 and the disposed operations in Sweden, UK Public Sector and spin-out companies, which in aggregate contributed revenue in 2009 of £6.3 million. Revenue and operating expenses for 2009 have also been adjusted in accordance with the Group's change in accounting policy such that "recharged expenses" excludes incidental costs (e.g. travel), with the net cost/gain on such items now recorded in operating expenses.

The operating margin in 2010 was 12% (2009: 0%) which produced operating profit of £2.5 million (2009: £0.1 million). Profit before tax was £2.2 million (2009: loss of £3.5 million) and profit after tax was £2.3 million (2009: loss of £2.9 million). Due to the significant tax losses carried forward in the UK and US subsidiaries, the tax liabilities on profits are anticipated to be minimal. Based on the average number of shares in issue during the year, diluted earnings per share were 6.9 pence (2009: loss of 13.5 pence). The above profit figures for 2010 include exceptional or one-off items related to the net costs of the relocation of the US operations into a single facility in Boston, a UK property rate rebate and gains/losses on legacy investments.

Revenue from the Consulting operations were £18.3 million, compared with £14.9 million on a comparative basis in 2009 (i.e. excluding the discontinued M-PESA project and other disposed/discontinued activities). The Consultancy business undertook work for a total of approximately 135 customers in the year, of which the top five accounted for approximately 39% and the top ten approximately 53% of the Consulting revenue. In the period, approximately 75% of the Group's Consulting revenue was derived from overseas markets, with North America accounting for approximately 50% and Europe (excluding UK) accounting for 21%.

Revenue from Consulting operations includes materials used in projects recharged to Consulting customers of £1.5 million, and product and licence revenue derived from Sagentia intellectual property of £0.5 million. Other revenue includes property income from sub-let space in the Harston Mill facility of £1.3 million and IT Support (including materials) through Manage5Nines totalling £1.2 million. Manage5Nines provides IT services to Sagentia and third parties. Until 14 January 2011, Sagentia owned 80% of Manage5Nines at which time Sagentia acquired the minority shareholding in the company in order to improve the IT support to the core business and simplify the corporate structure. The Harston Mill property currently has a total of 12 tenants with current vacant space of approximately 1,700 sq ft (2% of the total lettable space).

The Group has a strong balance sheet with shareholder funds at 31 December 2010 of £22.8 million, equivalent to 54.7 pence per share (2009: shareholder funds of £12.7 million equivalent to 58.7 pence per share) including the Group's freehold property and the residual value of two legacy investments, although following the year end the Group now only holds one legacy investment to which value is attributed. The cash position was strengthened by both operating cash flow and the Placing, such that gross cash at 31 December 2010 was £16.4 million (2009: £4.2 million) and net funds were £8.6 million (2009: net debt of £2.7 million), although it should be noted that the cash position is enhanced by seasonal factors, particularly management and employee bonus payments accrued in 2010 and payable in March 2011. Net cash generated from operating activities was £3.4 million (2009: £1.1 million). In October, the Group replaced the bank facility which was due to expire in March 2011; the new loan of £8.0 million is secured on the freehold property and associated lease structure and, subject to a minimum cash balance, is not subject to covenants related to the operating performance of the Consultancy business.

A review of the legacy investments has resulted in a charge to the income statement of £417,000, offset by a non-cash gain of £285,000 on a non-controlling loan balance, previously provided against, and a gain on the settlement of an interest rate swap of £351,000. The net effect of all these activities in 2010 is a gain to the income statement of £219,000. Subsequent to the year end, two legacy investments have been sold for an aggregate cash payment of £239,000.

At 31 December 2010, Sagentia Group plc, the Company, had negative retained earnings of £1.1 million, prior to dividend distributions from subsidiary companies which would leave the Company with positive distributable reserves, although the Company would need to issue further relevant accounts for the distributable reserves to be utilised. Consistent with the Group's defined strategy, the Board is not proposing to pay a dividend for 2010, although the Board intend to keep the dividend policy under regular review. However, with liquidity in small-cap shares sometimes unpredictable, the Board is proposing a resolution to Shareholders at the Annual General Meeting to enable the Board to buy-back shares, if appropriate and feasible. Due to Martyn Ratcliffe's shareholding of 29.9%, the Board will therefore be seeking a waiver of Rule 9 of the UK Code on Takeovers and Mergers, in order to be able to exercise the buy-back facility if circumstances provided.

Financial Review continued

£000	2010			2009		
	Consulting	Other	Total	Consulting	Other	Total £000
Fees	16,339	7	16,346	19,333	100	19,433
IT support	-	771	771	-	757	757
Property income	-	1,280	1,280	-	1,142	1,142
Recharged project materials	1,485	442	1,927	1,518	315	1,833
Product and licence income	497	-	497	261	-	261
Revenue	18,321	2,500	20,821	21,112	2,314	23,426
Operating profit (loss)	2,186	357	2,543	306	(193)	113
Change in fair value on financial assets			(417)			(3,122)
Share based payment charge			(63)			(170)
Net finance income (charges)			89			(278)
Profit/(Loss) before income tax			2,152			(3,457)
Income tax credit			165			556
Profit/(Loss) for the year			2,317			(2,901)
Total assets			38,893			27,151
Total liabilities			(16,076)			(14,402)
Total equity			22,817			12,749

Neil Elton
 Finance Director
 28 February 2011

Report of the Directors

The Directors present their annual report on the affairs of Sagentia Group plc, together with consolidated financial statements and independent auditor's report for the year ended 31 December 2010.

Business review and principal activities

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

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

Key performance indicators

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

- group revenue was £20.8 million (2009: £23.4 million) of which Consulting fees for services was £18.3 million (2009: £21.1 million)
- operating profit was £2.5 million (2009: £0.1 million)
- profit before income tax was £2.2 million (2009: loss £3.5 million)
- profit attributable to equity holders of the parent was £2.3 million (2009: loss £2.9 million)
- net funds £8.6 million (2009: net debt £2.7 million)
- debtor days was 44 (2009: 53)
- debtor and WIP days was 25 (2009: 45)

Substantial shareholdings

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

Shareholder	Ordinary shares held	% held
Martyn Ratcliffe	12,512,906	29.9
Legal & General Investment Management	6,258,539	15.0
Henderson Global Investors	1,875,000	4.49
The Equity Partnership Investment Company plc	1,570,000	3.76
Aviva Investors London Limited	1,450,000	3.48
Herald Investment Management Limited	1,387,491	3.33

Principal risks and uncertainties facing Sagentia

The operational risks are discussed in Note 25, with the financial and trading risks discussed in Note 3 to the financial statements.

Planned future developments

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

Election of Directors

Neil Elton was appointed by the Board during the year, and as such will offer himself for re-election at the next Annual General Meeting. Brent Hudson will retire by rotation and offer himself for re-election at the next Annual General Meeting.

Dividends

The Company did not have sufficient distributable reserves to pay a dividend at the end of 2010 (2009: £Nil). The Board will review its policy periodically in the context of Sagentia's distributable reserves and financial position.

Report of the Directors continued

Directors

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

Director	Role at 31 December 2010	Date of (re-) appointment	Retired	Board Committee		
Martyn Ratcliffe	Chairman	20/05/10		A	N	R
David Courtley*	Non-Executive	20/05/10		A	N	R
Brent Hudson	Chief Executive	20/05/10				
Neil Elton	Finance Director	02/08/10				
Chris Masters		09/05/09	15/04/10	A	N	R
Lars Kylberg		09/05/09	15/04/10	A	N	R
Staffan Ahlberg		09/05/09	15/04/10	A	N	R
Guy McCarthy		20/05/10	31/07/10			

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

* Independent Director

The Board anticipates appointing an additional Non-Executive Director during the coming year. Martyn Ratcliffe will then step down from the Audit Committee.

Martyn Ratcliffe Chairman

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

David Courtley Non-Executive Director

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

Brent Hudson* Chief Executive Officer

Brent Hudson joined Sagentia in October 2009. He qualified as a management accountant in 1985 and began his career working in financial management before moving to KPMG management consulting. He gained an MBA from Cranfield University whilst working at KPMG. Since then, he has held senior and/or board-level roles at technology-led companies in both the UK and USA, including Cambridge-based electronic product developers Symbionics Limited, Tality Inc, QinetiQ Group plc, and more recently as CEO of Beach Solutions Limited.

Neil Elton Finance Director

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

* Retire by rotation at the next AGM

Report of the Directors continued

Directors' interests in shares and contracts

Directors' interests in the shares of Sagentia, at 31 December 2010 and 31 December 2009, and any changes subsequent to 31 December 2010, are disclosed in Note 8. None of the Directors had an interest in any contract of significance to which Sagentia was a party during the financial year, other than that disclosed in Note 8.

Environment

Sagentia's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with legal requirements relating to the environment in 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.

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 2010. The Directors do not believe that the carrying value of the property is significantly different to its fair value.

Research and development

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

Employment policies

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

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

Supplier payment policy

The supplier payment policy is to pay suppliers according to their payment terms. Sagentia payables balance for 2010 represents a creditor payment period of 21 days (2009: 23 days).

Charitable and political donations

The company operates a scheme whereby it will, on a discretionary basis, match charitable donations raised by employees up to a specified limit. Charitable contributions made in 2010 were £2,840 (2009: £Nil). No political donations were made in the year (2009: £Nil).

Post balance sheet events

On 14 January 2011 the Company acquired the minority shareholding in Manage5Nines Limited for £150,000.

On 27 January 2011 the Company completed the sale of its shareholding in Sensortec Limited and on 14 February 2011 the Company completed the sale of its shareholding in Atranova Limited. Combined consideration received was £239,000.

There were no other post balance sheet events to disclose.

Auditors

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

Report of the Directors continued

Directors' Responsibilities Statement

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

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

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

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

In so far as each of the Directors are aware:

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

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

Corporate Governance Report

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

Statement of compliance with the Combined Code

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

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

Statement about applying the principles of the Code

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

Board of Directors

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

At 31 December 2010, the Board comprised a Chairman, Chief Executive Officer, Finance Director and one Independent Non-Executive Director. All Directors bring a wide range of skills and international experience to the Board. The Board anticipates appointing an additional Non-Executive Director in 2011 and the Chairman will then step down from the Audit Committee. The Chairman holds meetings with the Non-Executive Director(s) without the Chief Executive and Finance Director present.

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

Report of the Directors continued

Corporate Governance Report (continued)

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

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

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

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

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

Relations with shareholders

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

Balanced and understandable assessment of position and prospects

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

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

Remuneration strategy

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

Report of the Directors continued

Board Committees

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

• Audit Committee

The Audit Committee is chaired by David Courtley and currently comprises of himself and Martyn Ratcliffe. The Audit Committee met three times during 2010. The Committee Chairman also took additional meetings with the auditors and Finance Director during the year. The Board anticipates appointing an additional Non-Executive Director in 2011 and Martyn Ratcliffe will then step down from the Audit Committee. Further details on the Audit Committee are provided in the Report of the Audit Committee.

• Remuneration Committee

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

• Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and also comprises David Courtley. The Nomination Committee met two times during 2010. It may take advice from time to time from external advisers, but did not do so in 2010.

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

Meetings of the Board and Subcommittees during 2010 were as follows:

	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of meetings held in 2010	12	3	3	2
Martyn Ratcliffe	9/9	1/2	3/3	1/1
Brent Hudson	12/12	3/3*	3/3*	2/2*
Neil Elton	4/4	1/1*	-	-
David Courtley	8/8	2/2	3/3	1/1
Chris Masters	3/3	1/1	-	-
Lars Kylberg	3/3	1/1	-	-
Staffan Alhberg	3/4	1/1	-	-
Guy McCarthy	8/8	2/2*	-	1/2*

* Attendance by invitation

Report of the Directors continued

Report of the Board on Remuneration

Remuneration Committee

The Committee, which is chaired by David Courtley, also comprises Martyn Ratcliffe. The new Non-Executive Director, anticipated to be appointed in 2011, will also join the Remuneration Committee.

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

The Remuneration Committee recognises that incentivisation of staff is a key issue for Sagentia, which depends on the skill of its people for its success. The Remuneration Committee seeks to incentivise employees by linking individual remuneration to individual performance and contribution, and to Sagentia results. During the year the Remuneration Committee approved grants of share options and confirmed a profit related bonus scheme for the Company for 2010.

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

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

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

The remuneration package comprises the following elements:

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

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

The Chief Executive and Finance Director have employment contracts which contain a notice period of 12 and six months respectively. The Chairman has an employment contract which contains a notice period of six months. Non-Executive Directors' service contracts may be terminated on three months' notice. There are no additional financial provisions for termination.

Option plans

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

The market price of the shares at 31 December 2010 was 67.5 pence (31 December 2009: 18.0 pence). The highest and lowest price during the year was 70.0 pence and 18.0 pence respectively.

Report of the Directors continued

Report of the Audit Committee

Audit Committee

The Audit Committee is chaired by David Courtley and currently comprises himself and Martyn Ratcliffe. The Audit Committee met three times during 2010. The Committee Chairman also took additional meetings with the auditors and Finance Director during the year. The Board anticipates appointing an additional Non-Executive Director in 2011 and Martyn Ratcliffe will then step down from the 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 in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness and the independence and objectivity of the auditors. A report and recommendation regarding the auditors is put to the shareholders for their approval in general meetings.

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

Internal controls

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

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

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

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

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

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

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

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

This process, which operates in accordance with the FRC guidance, was maintained throughout the financial year, and has remained in place up to the date of the approval of these financial statements. The Board, via the Audit Committee, has reviewed the systems and processes in place in meetings with the Chief Executive, Finance Director, and Sagentia's auditors during 2010. No internal audit function is operated outside of the systems and processes in place, as Sagentia is considered too small for a separate function. The Board considers the internal control system to be adequate for Sagentia.

The auditors have provided services in relation to the annual audit of the Group and staff secondment during the year.

Approval

The report of the directors was approved by the Board on 28 February 2011 and signed on its behalf:

By order of the Board
Neil Elton
Company Secretary

Harston Mill, Harston
Cambridge, CB22 7GG

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

We have audited the financial statements of Sagentia Group plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated and company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alison Seekings

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
28 February 2011

Financial Statements

and Notes to the Financial Statements

Consolidated Income Statement

For the year ended 31 December 2010

		Group	
	Note	2010 £000	2009 £000
Revenue	4	20,821	23,426
Operating expenses	4,5	(18,278)	(23,313)
Operating profit	4	2,543	113
Change in fair value on financial assets	14	(417)	(3,122)
Share based payment charge		(63)	(170)
Profit (loss) before finance charges and tax		2,063	(3,179)
Finance costs	6	(608)	(436)
Finance income	6	346	20
Change in fair value of interest rate swap	6	351	138
Profit (loss) before income tax		2,152	(3,457)
Income tax credit	9	165	556
Profit (loss) for the year		2,317	(2,901)
Profit (loss) for the year attributable to:			
Equity holders of the parent		2,295	(2,945)
Non-controlling interests		22	44
Profit (loss) for the year		2,317	(2,901)
Earnings per share			
Earnings / (loss) per share (basic)	11	7.0p	(13.5)p
Earnings / (loss) per share (diluted)		6.9p	(13.5)p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Group	
	2010	2009
	£000	£000
Profit (loss) for the year	2,317	(2,901)
Other comprehensive income:		
Exchange difference on translating foreign operations	19	(22)
Other comprehensive income for the year, net of tax	19	(22)
Total comprehensive income for the year	2,336	(2,923)
Attributable to:		
- Owners of the parent	2,314	(2,934)
- Non-controlling interests	22	11
Total comprehensive income for the year	2,336	(2,923)

Consolidated and Company Statement of Changes in Shareholders Equity

For the year ended 31 December 2010

Group	Issued capital	Share premium	Merger reserve	Investment in own shares	Translation reserve	Share based payment reserve	Retained earnings	Total – shareholders funds	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2009	266	-	22,211	(111)	(677)	599	(6,901)	15,387	54	15,441
Conversion of preference shares	(49)	49	-	-	-	-	-	-	-	-
Dividends paid to minorities	-	-	-	-	-	-	-	-	(20)	(20)
Shares purchased in minorities	-	-	-	-	-	-	-	-	(30)	(30)
Own shares sold	-	-	-	111	-	-	-	111	-	111
Share options adjustment	-	-	-	-	-	170	-	170	-	170
Transactions with owners	(49)	49	-	111	-	170	-	281	(50)	231
Loss for the year	-	-	-	-	-	-	(2,945)	(2,945)	44	(2,934)
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	(22)	-	-	11	-	11
Total comprehensive income for the year	-	-	-	-	(22)	-	(2,945)	(2,967)	44	(2,923)
Balance at 31 December 2009	217	49	22,211	-	(699)	769	(9,846)	12,701	48	12,749
Balance at 1 January 2010	217	49	22,211	-	(699)	769	(9,846)	12,701	48	12,749
New shares issued	200	7,800	-	-	-	-	-	8,000	-	8,000
Cost of placing	-	(331)	-	-	-	-	-	(331)	-	(331)
Share options adjustment	-	-	-	-	-	63	-	63	-	63
Transactions with owners	200	7,469	-	-	-	63	-	7,732	-	7,732
Profit for the year	-	-	-	-	-	-	2,295	2,295	22	2,317
Other comprehensive income:										
Exchange differences on translating foreign operations	-	-	-	-	19	-	-	19	-	19
Total comprehensive income for the year	-	-	-	-	19	-	2,295	2,314	22	2,336
Balance at 31 December 2010	417	7,518	22,211	-	(680)	832	(7,551)	22,747	70	22,817

Company	Issued capital	Share premium	Merger reserve	Investment in own shares	Translation reserve	Share based payment reserve	Retained earnings	Total – shareholders funds	Non-controlling interest	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2009	266	-	10,343	-	-	3	(634)	9,978	-	9,978
Conversion of preference shares	(49)	49	-	-	-	-	-	-	-	-
Share options adjustment	-	-	-	-	-	21	-	21	-	21
Transactions with owners	(49)	49	-	-	-	21	-	21	-	21
Total comprehensive income for the year	-	-	-	-	-	-	416	416	-	416
Balance at 31 December 2009	217	49	10,343	-	-	24	(218)	10,415	-	10,415
Balance at 1 January 2010	217	49	10,343	-	-	24	(218)	10,415	-	10,415
New shares issued	200	7,800	-	-	-	-	-	8,000	-	8,000
Cost of placing	-	(331)	-	-	-	-	-	(331)	-	(331)
Share options adjustment	-	-	-	-	-	72	-	72	-	72
Transactions with owners	200	7,469	-	-	-	72	-	7,741	-	7,741
Total comprehensive income for the year	-	-	-	-	-	-	(845)	(845)	-	(845)
Balance at 31 December 2010	417	7,518	10,343	-	-	96	(1,063)	17,311	-	17,311

The Merger reserve arose as a consequence of a group reconstruction in 2008 that resulted in Sagentia Group plc acquiring Sagentia Group AG by way of a share for share exchange.

Consolidated and Company Statement of Financial Position

At 31 December 2010

	Note	Company		Group	
		2010 £000	2009 £000	2010 £000	2009 £000
ASSETS					
Non-current assets					
Intangible assets	12	-	-	-	-
Property, plant and equipment	13	-	-	14,112	14,334
Investments	14	10,559	10,559	-	-
Non-current assets classified as held for sale	14	-	-	1,024	1,441
Deferred income tax assets	10	-	-	3,240	3,128
		10,559	10,559	18,376	18,903
Current assets					
Trade and other receivables	15	4	2	4,087	4,000
Current tax asset		-	-	-	14
Cash and cash equivalents	16	11,901	1	16,430	4,234
		11,905	3	20,517	8,248
Total assets		22,464	10,562	38,893	27,151
LIABILITIES					
Current liabilities					
Trade and other payables	17	5,153	147	5,427	4,326
Current income tax liabilities	17	-	-	38	57
Borrowings	17	-	-	800	-
		5,153	147	6,265	4,383
Non-current liabilities					
Borrowings	18	-	-	7,000	6,927
Other creditors	18	-	-	247	173
Financial instruments	18	-	-	-	351
Deferred income tax liabilities	10	-	-	2,564	2,568
		-	-	9,811	10,019
Total liabilities		5,153	147	16,076	14,402
Net assets / liabilities		17,311	10,415	22,817	12,749
Shareholders equity					
Share capital	19	417	217	417	217
Share premium		7,518	49	7,518	49
Merger reserve		10,343	10,343	22,211	22,211
Investment in own shares		-	-	-	-
Translation reserves		-	-	(680)	(699)
Share based payment reserve		96	24	832	769
Retained earnings		(1,063)	(218)	(7,551)	(9,846)
		17,311	10,415	22,747	12,701
Non-controlling interest		-	-	70	48
Total equity		17,311	10,415	22,817	12,749

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

Neil Elton

Finance Director

Brent Hudson

Chief Executive Officer

On 28 February 2011

The accompanying Notes are an integral part of the consolidated and company statement of financial position. The company's registered number is **06536543**.

Consolidated and Company Statement of Cash Flows

At 31 December 2010

	Company		Group		
	Note	2010 £000	2009 £000	2010 £000	2009 £000
Profit (loss) before income tax		(1,011)	622	2,152	(3,457)
Depreciation and amortisation charges		-	-	322	367
Loss on disposal of property, plant and equipment		-	-	72	-
Change in fair value of held for sale assets		-	-	417	3,122
Change in fair value of interest rate swap		-	-	(351)	(138)
Share based payment charge		72	21	63	170
Write back of loans by non-controlling interests to subsidiary undertakings		-	-	(285)	-
(Increase) decrease in receivables		(2)	4	(87)	2,661
Increase (decrease) in payables		5,006	(645)	1,101	(1,736)
Cash generated from operations		4,065	2	3,404	989
UK corporation tax received (net)		166	-	33	87
Foreign corporation tax received (net)		-	-	11	42
Cash flows from operating activities		4,231	2	3,448	1,118
Purchase of property, plant and equipment		-	-	(169)	(245)
Purchase of subsidiary undertaking		-	-	-	(30)
Proceeds from sale of property, plant and equipment		-	-	-	254
Sale of current assets investments		-	-	-	34
Net cash disposed with subsidiary undertaking		-	-	-	(5)
Sale of financial assets at fair value through the profit and loss		-	-	-	447
Cash flows from investing activities		-	-	(169)	455
Issue of ordinary share capital		8,000	-	8,000	-
Placement costs		(331)	-	(331)	-
Dividends paid to minorities		-	-	-	(20)
Proceeds from bank loans		-	-	8,000	-
Repayment of bank loans		-	-	(6,700)	(2,613)
Cash flows from financing activities		7,669	-	8,969	(2,633)
Increase (decrease) in cash and cash equivalents in the year		11,900	2	12,248	(1,060)
Cash and cash equivalents at the beginning of the year		1	(1)	4,234	5,341
Exchange gains (loss) on cash		-	-	(52)	(47)
Cash and cash equivalents at the end of the year	16	11,901	1	16,430	4,234

Notes to the Financial Statements

For the year ended 31 December 2010

1 General information

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

The Company is the ultimate parent company in which results of all Sagentia companies are consolidated. The Company was incorporated on 17 March 2008 in order to acquire the whole of the undertaking of Sagentia Group AG via a share for share exchange. During 2010, the Company initiated the process of dissolving Sagentia Group AG.

Sagentia develops new and novel technologies in the Medical (Diagnostics, Patient Care and Surgical), Industrial and Consumer industries. Its key areas of expertise include: engineering, electronics, life sciences, business innovation, and materials. Sagentia's facilities include offices and laboratories

located in Europe in Cambridge, in the US in Cambridge, Mass, near Boston, and in Asia in Hong Kong.

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

The Company is incorporated in England and Wales and has its primary listing on the AIM Market of the London Stock Exchange (SAG.L). The value of Sagentia Group plc shares, as quoted on the London Stock Exchange plc at 31 December 2010, was 67.5 pence per share (31 December 2009: 18.0 pence).

These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2011.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements of Sagentia have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value, as allowed by IAS39 Financial Instruments: Recognition and Measurement, which are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and IFRIC interpretations issued and effective at the time of preparing these statements.

Of the new standards and interpretations effective for the year ended 31 December 2010, there was no impact on the presentation of the financial statements of Sagentia Group plc

other than in disclosure. Changes to IAS1 Presentation of Financial Statements can require the need to disclose a third Statement of Financial Position. The Directors do not believe this to be the case as the 2008 Statement of Financial Position will be the same as already presented. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

No income statement is presented for Sagentia Group plc as provided by Section 408 of the Companies Act 2006. The Company's loss for the financial period after tax, determined in accordance with the Act, was £845,000 (2009: profit of £416,000).

The Standards and Interpretations in issue but not yet effective for the year ending 31 December 2010 are listed below. Sagentia has not adopted these early.

Number	Title	Effective
IFRS 9	Financial Instruments	01-Jan-13
IAS 24 (Revised 2009)	Related Party Disclosures	01-Jan-11
Amendment to IAS 32	Classification of Rights Issues	01-Feb-10
Improvements to IFRSs 2010	Improvements to IFRSs 2010	from 1 July 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01-Jul-10
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	01-Jan-11
Amendment to IFRS 7	Disclosures: Transfers of Financial Assets	01-Jul-11
Amendment to IAS 12	Deferred Tax: Recovery of Underlying Assets	01-Jan-12

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

Comparative numbers for 2009 within revenue and operating expenses of the consolidated income statement have been restated to exclude project expenses that are incidental to the project work. This has had no effect on the operating profit disclosed.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 5-6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 7 to 8. In addition, Notes 3, 24 and 25 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

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

2.2 Basis of consolidation

The basis of consolidation is set out below:

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

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

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

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

2.3 Segment reporting

Under IFRS 8 the accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. There are two segments identified, Consulting and Other. Consulting activities includes all 'fees for services' operations and product and licence income generated directly from these activities. 'Other' activities include rental income from Harston Mill and external IT services.

2.4 Intangible assets

Computer software

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

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

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

2.5 Research expenditure

Research expenditure is written off as incurred.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.6 Development expenditure

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

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

Identifiable expenditure is then capitalised and amortised over the period during which benefits are expected (3-5 years). There is no capitalised development on the balance sheet at 31 December 2010.

2.7 Property, plant and equipment

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

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

Land is not depreciated. Depreciation on 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	3-5 years
Equipment	3 years

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

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

2.8 Investments

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

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

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

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

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

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

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.

2.9 Trade receivables

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.10 Cash and cash equivalents

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

2.11 Borrowings

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

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

2.12 Share capital

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

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

2.13 Revenue recognition

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

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

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

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

IT support fees is recognised in the related period in line with the contract.

2.14 Long term contracts

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

2.15 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

Notes to the Financial Statements continued

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%. Sagentia has defined contribution plans. A defined contribution plan is a pension plan under which Sagentia pays fixed contributions into a separate entity. Sagentia has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

Sagentia GmbH has a legacy pension scheme over which there are obligations to future pension benefits. These obligations are recorded at their fair value in non-current liabilities.

Sagentia Inc provides a 401(k) benefit to employees.

(b) Share based compensation

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

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

Sagentia recognises a liability and an expense for bonuses and / or profit-sharing, based on the incentive plans approved by the remuneration committee. Sagentia recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.17 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.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.19 Leases

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

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

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

2.20 Financial instruments

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

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

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign currency sensitivity

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

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

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

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

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

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

The following table illustrates the sensitivity of the net movement on reserves and equity in regards to Sagentia's financial assets and financial liabilities and the US dollar/GBP exchange rate, Euro/GBP exchange rate and Hong Kong dollar/GBP exchange rate. It assumes a +/- 10.0% change of the GBP/US dollar exchange rate for the year ended at 31 December 2010 (2009: 10.0%). A +/- 10.0% change is considered for the GBP/Euro exchange rate (2009: 10.0%). A +/- 10% change is considered for the GBP/Hong Kong dollar exchange rate (2009: 10.0%).

If the GBP had strengthened against the US dollar, Euro and Hong Kong dollar by 10.0% (2009: 10.0%) respectively then this would have had the following impact:

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

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

2009 £000	US\$	Euro	HK\$	Total	
Income statement		(138)	(69)	(4)	(211)
Equity		(138)	(69)	(4)	(211)

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

If the GBP had weakened against the US dollar, Euro and Hong Kong dollar by 10.0% (2009: 10.0%), 10.0% (2009: 10.0%) and 10.0% (2009: 10.0%) respectively then this would have had the following impact:

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

2009 £000	US\$	Euro	HK\$	Total
Income statement	138	69	4	211
Equity	138	69	4	211

The actual rate movement against the US dollar, Euro and Hong Kong dollar for the year was -3.9% (2009: +12.3%), +3.23% (2009: +8.8%) and -3.6% (2009: +12.4%) respectively.

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

(b) Interest rate sensitivity

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

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

	2010 £000	2009 £000
Sterling – bank loan	7,800	6,500

Weighted average interest rate	%	%
Sterling – fixed rate bank loan	-	7.1
Sterling – floating rate bank loan	Libor+2.5%	Base+0.8%

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

The bank loan is secured via a fixed charge over certain assets of Sagentia and is repayable as disclosed in Note 20. Terms and conditions of the interest rate swap are as disclosed in Note 18.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.0% and -0.5% (2009: +/- 1.0%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on Sagentia's financial instruments held at each balance sheet date. All other variables are held constant.

	2010 £000	2010 £000	2009 £000	2009 £000
Net result for the year	+1.0% (41)	-0.5% 21	+1.0% (80)	-1.0% 82
Equity	(41)	21	(80)	82

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk analysis

Sagentia has policies in place to ensure that sales are made to clients with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions although counterparty risk is not negligible. Sagentia has policies that limit the amount of credit exposure to any financial institution.

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

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Non-current assets classified as held for sale	-	-	1,024	1,441
Cash and cash equivalents	11,901	1	16,430	4,234
Trade and other receivables	-	-	3,449	3,151
	11,901	1	20,903	8,826

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, although there can be no certainty that counterparty creditworthiness will be maintained.

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

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

(d) Liquidity risk analysis

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

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

As at 31 December 2010, Sagentia's liabilities have contractual maturities which are summarised below:

2010 Within	Current		Non-current	
	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank loans	400	400	7,000	-
Trade payables	449	-	-	-
	849	400	7,000	-

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

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

The above contractual maturities reflect the date of maturity, 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)

(e) Summary of financial assets and liabilities by category

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

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Non-current assets				
Non-current assets classified as held for sale	-	-	1,024	1,441
Current assets				
Trade and other receivables:				
- trade receivables	-	-	3,449	3,151
Cash and cash equivalents	11,901	1	16,430	4,234
	11,901	1	19,879	7,385
Non-current liabilities				
Borrowings:				
- Financial liabilities at amortised cost	-	-	7,000	6,927
Derivative financial instruments:				
- Financial liabilities held for trading (carried at fair value through profit and loss)	-	-	-	351
	-	-	7,000	7,278
Current liabilities				
Borrowings:				
- Financial liabilities at amortised cost	4,757	21	800	-
Trade payables:				
- Financial liabilities at amortised cost	3	13	449	638
	4,760	34	1,249	638

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.2 Fair value estimation

(a) Financial instruments

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

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

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

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

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

Group	Level 1	Level 2	Level 3	Total
31 December 2009	£000	£000	£000	£000
Assets				
Non-current assets classified as held for sale	-	1,441	-	1,441
Liabilities				
Derivatives used for hedging	-	351	-	351

3.3 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new share or sell assets to reduce debt.

During the year £8.0 million (before expenses) was raised through a placing of 20,000,000 new ordinary shares of 1.0 pence each at a price of 40.0 pence per ordinary share (see Note 19) and a new borrowing of £8.0 million was drawn down in October 2010 (see Note 20).

Notes to the Financial Statements continued

4 Segment information

Sagentia is organised on a worldwide basis into two segments, Consulting and Other. Consulting activities aggregates the three industry sectors which Sagentia now services and includes all 'fees for services' operations and product licence income generated directly from these activities. 'Other' activities include rental income from Harston Mill, income from the provision of external IT services and venture subsidiary activities. The segmental analysis is reviewed up to operating profit. Other resources are shared across the Group.

Year ended 31 December 2010	Consulting £000	Other £000	Total £000
Fees	16,339	7	16,346
IT Support	-	771	771
Property income	-	1,280	1,280
Recharged project expenses	1,485	442	1,927
Product and licence income	497	-	497
Revenue	18,321	2,500	20,821
Operating profit	2,186	357	2,543
Change in fair value of financial assets			(417)
Share based payments			(63)
Profit before finance charges and tax			2,063
Finance charges			89
Profit before income tax			2,152
Tax income			165
Profit for the year			2,317

Year ended 31 December 2009	Consulting £000	Other £000	Total £000
Fees	19,333	100	19,433
IT Support	-	757	757
Property income	-	1,142	1,142
Recharged project expenses	1,518	315	1,833
Product and licence income	261	-	261
Revenue	21,112	2,314	23,426
Operating profit (loss)	306	(193)	113
Change in fair value of financial assets			(3,122)
Share based payments			(170)
Loss before finance charges and tax			(3,179)
Finance charges			(278)
Loss before income tax			(3,457)
Tax income			556
Loss for the year			(2,901)

Revenue from the Consulting operations were £18.3 million, compared with £14.9 million on a comparative basis in 2009 (i.e. excluding the discontinued M-PESA project and other disposed/discontinued operations in Sweden and UK Public Sector totalling £6.2 million).

Notes to the Financial Statements continued

4 Segment information (continued)

Geographical segments

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

	2010		2009	
	Revenue £000	Non-current assets £000	Revenue £000	Non-current assets £000
United Kingdom	6,984	15,133	12,328	15,703
Other European countries	4,048	-	5,471	-
North America	9,101	-	5,277	59
Other	688	3	350	13
Total	20,821	15,136	23,426	15,775

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

During 2010, £2.4 million or 12% of the Group's revenues depended on a single customer in the Consulting segment.

5 Operating expenses

Expenses by nature	Note	Group	
		2010 £000	2009 £000
Year ended 31 December			
Employee remuneration and benefit expense (excluding share options)	7	10,808	12,885
Operating third party expenses		2,501	3,466
Occupancy costs		1,545	1,825
Equipment and consumables		366	860
Selling and marketing expenses		970	1,218
Depreciation of property, plant and equipment	13	322	366
Patent fees		70	175
Recruitment and training		409	293
Amortisation of intangible assets	12	-	1
Foreign currency losses (gains)		(150)	289
Other		1,437	1,935
		18,278	23,313

Included in 'Other' were non-recurring costs of £250,000 relating to the relocation of our USA operations to Cambridge, Massachusetts and a credit of £340,000 relating to a business rates rebate dating back from 2005 to 2010.

Included above	Note	Group	
		2010 £000	2009 £000
Research and development *		6,461	7,753
Operating lease rentals			
- Plant and machinery		60	59
- Other		58	62
Auditors' remuneration			
Services to the Company and its subsidiaries:			
Fees payable to the Company's auditors for the audit of the financial statements		15	18
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		25	30
Other non audit fees		17	-

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

Notes to the Financial Statements continued

6 Finance income and finance costs

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

	Group	
Year ended 31 December	2010	2009
	£000	£000
Finance income		
Bank interest receivable and similar income	61	20
Non-controlling loan balance realised, previously provided for	285	-
Finance costs	346	20
Bank borrowings	(608)	(436)
Other financial result		
Change in fair value of interest rate swap	351	138

7 Employee benefit expense

Employment costs are shown below:

	Group	
Year ended 31 December	2010	2009
	£000	£000
Wages and salaries (including bonuses and healthcare costs)	9,195	10,440
Social security costs	986	1,525
Share options granted to Directors and employees	63	170
Pension costs	627	920
	10,871	13,055

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

	Group	
Year ended 31 December	2010	2009
Technology consultants	124	154
Marketing, support, administration and other technically-qualified staff	27	40
	151	194

8 Directors' remuneration, interests and transactions

Aggregate remuneration:

	Group	
Year ended 31 December	2010	2009
	£000	£000
Short-term employee benefits	708	403
Post employment pension and medical benefits	28	29
Termination benefits	115	66
Share based payment transactions	87	54
	938	552

The amounts shown were recognised as an expense during the year related to key management personnel. Bonuses, pension and medical benefits are not paid to Non-Executive Directors. An amount of £115,000 was paid to a Director who retired during 2010.

Notes to the Financial Statements continued

8 Directors' remuneration, interests and transactions (continued)

Directors' emoluments and benefits include:

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

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

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

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

Directors' interests in the shares of Sagentia, at 31 December 2010 and 31 December 2009, and any changes subsequent to 31 December 2010, are as follows:

Sagentia Group plc Ordinary shares of £0.01	Options				Shares	
	2010		2009		2010	2009
	Average exercise price (pence)		Number		Number	
Elton	51.0	-	500,000	-	101,914	-
Hudson	32.2	16.7	1,500,000	500,000	65,000	65,000
Ratcliffe	40.0	-	2,500,000	-	12,512,906	-
Courtley	-	-	-	-	375,000	-
			4,500,000	500,000	13,054,820	65,000

Options were granted to Directors during 2010 were as follows:

Ordinary £0.01 shares of Sagentia Group plc	Average exercise price (pence)	Approved share options Number	Unapproved share options Number	Incentive share options Number	31 December 2010 Number
Elton	51.0	-	-	500,000	500,000
Hudson	40.0	-	-	1,000,000	1,000,000
Ratcliffe	40.0	-	-	2,500,000	2,500,000
		-	-	4,000,000	4,000,000

See Note 19 for further details on option plans. No Directors made any gain on the exercise of share options during the year and no options were exercised.

Notes to the Financial Statements continued

9 Tax income

The tax credit comprises:

Year ended 31 December	2010	2009
	£000	£000
Foreign taxation	49	(3)
Current taxation	-	(1)
Deferred taxation (Note 10)		
- tax losses available	112	495
- other timing differences	4	65
	116	560
	165	556

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:

	2010	2009
	£000	£000
Profit (loss) before tax	2,152	(3,457)
Tax calculated at domestic tax rates applicable to profits(losses) in the respective countries	(633)	968
Expenses not deductible for tax purposes	(222)	(294)
Income not subject to tax	2	83
Accelerated capital allowances	(97)	82
R&D tax relief	278	376
R&D tax credit received in respect of prior years	-	-
Other temporary differences	2	(28)
Tax losses for which no deferred income tax asset was recognised	(293)	(631)
Movement in deferred tax due to change in tax rate	(20)	-
Profit in the year relieved against losses for which no deferred tax asset was recognised	1,148	-
Tax credit	165	556

The weighted average statutory applicable tax rate was 26.3% (2009: 28.0%).

The Group has available tax losses of approximately £27.1 million (2009: £56.3 million). 2010 excludes all losses deemed non recoverable due to the dissolution of Sagentia Group AG (£24.1million losses) and other group companies no longer trading including Sagentia GmbH (£0.4million losses), Sagentia Catella (£0.3 million losses), and other venture subsidiaries (£1.3 million). In addition there were £3.1 million tax losses utilised in the year.

10 Deferred income tax

	2010	2009
	£000	£000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	2,902	2,848
Deferred tax asset to be recovered within 12 months	338	280
	3,240	3,128
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	(2,564)	(2,568)
	(2,564)	(2,568)
Total	676	560

Notes to the Financial Statements continued

10 Deferred income tax (continued)

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

	2010 £000	2009 £000
Beginning of the year	560	-
Exchange differences	-	-
Income statement credit (Note 9)	116	560
End of year	676	560

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 2009	(2,633)	2,633	-
Charged to the income statement	65	495	560
Exchange differences	-	-	-
At 31 December 2009	(2,568)	3,128	560
Charged to the income statement	4	112	116
Exchange differences	-	-	-
At 31 December 2010	(2,564)	3,240	676

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

Group	Provided		Not provided	
	2010 £000	2009 £000	2010 £000	2009 £000
Deferred taxation is attributable to:				
Accelerated capital allowances	(2,564)	(2,568)	-	-
Tax losses available	3,240	3,128	3,797	12,624
Other timing differences	-	-	79	96
Deferred tax asset	676	560	3,876	12,720
Tax losses relating to deferred tax asset not recognised			13,560	45,086

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

Company	Provided		Not provided	
	2010 £000	2009 £000	2010 £000	2009 £000
Deferred taxation is attributable to:				
Tax losses available	-	-	29	6
Other timing differences	-	-	6	13
Deferred tax asset	-	-	35	19
Tax losses relating to deferred tax asset not recognised	-	-	104	21

Notes to the Financial Statements continued

11 Earnings/loss per share

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

	Basic	
	2010 £000	2009 £000
Profit (loss) for the financial year	2,317	(2,901)
	2010 Number	2009 Number
Weighted average number of shares:		
For basic earnings per share	33,011,266	21,542,490
For fully diluted earnings per share	33,563,343	21,840,881

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

Basic earnings per share in 2010 on the above basis were 7.0pence and fully diluted earnings per share were 6.9pence (2009: basic loss per share of 13.5pence). The equivalent basic earnings per share for 2010 based on the number of shares in issue at the year end of 41,723,595, would have been 5.6pence.

12 Intangible assets

Group	Software £000
At 1 January 2009	
Cost	14
Accumulated amortisation	(13)
Net book amount	1
Year ended 31 December 2009	
Opening net book amount	1
Amortisation charge	(1)
Closing net book amount	-
At 31 December 2009	
Cost	14
Accumulated amortisation	(14)
Net book amount	-
Year ended 31 December 2010	
Opening net book amount	-
Amortisation charge	-
Closing net book amount	-
At 31 December 2010	
Cost	14
Accumulated amortisation	(14)
Net book amount	-

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 2009				
Cost	16,682	1,430	3,413	21,525
Accumulated depreciation	(2,645)	(1,129)	(2,743)	(6,517)
Net book amount	14,037	301	670	15,008
Year ended 31 December 2009				
Opening net book amount	14,037	301	670	15,008
Exchange differences on cost	-	(8)	(51)	(59)
Exchange differences on depreciation	(1)	6	40	45
Additions	-	70	175	245
Disposals	-	(34)	(1,418)	(1,452)
Disposed with subsidiary	-	-	(374)	(374)
Depreciation charge	(85)	(107)	(174)	(366)
Depreciation disposed with subsidiary	-	-	89	89
Depreciation on disposals	-	38	1,160	1,198
Closing net book amount	13,951	266	117	14,334
At 31 December 2009				
Cost	16,682	1,458	1,745	19,885
Accumulated depreciation	(2,731)	(1,192)	(1,628)	(5,551)
Net book amount	13,951	266	117	14,334
Year ended 31 December 2010				
Opening net book amount	13,951	266	117	14,334
Exchange differences on cost	(1)	2	3	4
Exchange differences on depreciation	2	-	(3)	(1)
Additions	3	134	32	169
Disposals	-	(54)	(80)	(134)
Depreciation charge	(86)	(186)	(50)	(322)
Depreciation on disposals	-	12	50	62
Closing net book amount	13,869	174	69	14,112
At 31 December 2010				
Cost	16,684	1,540	1,700	19,924
Accumulated depreciation	(2,815)	(1,366)	(1,631)	(5,812)
Net book amount	13,869	174	69	14,112

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 (2009: £1,360,000) which has not been depreciated. Cumulative interest capitalised up to 31 December 2003 was £340,000. No further interest has been capitalised since. The property was last valued during July 2010 by Savills for Lloyds TSB. Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation range for the building was between £11.9 million based on occupational tenancies where the head lease is merged into the Freehold Interest, and not less than £14.0 million under a sale and leaseback scenario. The Directors therefore do not believe that the carrying value of the property is significantly different to its fair value.

The property generated rental and services income of £1,280,000 in 2010 (2009: £1,142,000). 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

Non-current assets	Group		
Designated at fair value through profit or loss	Unquoted equity investments £000	Loans and receivables £000	Total £000
Fair value, January 2009	4,091	1,200	5,291
Additions	-	-	-
Disposals	(447)	-	(447)
Change in fair value	(2,206)	(1,200)	(3,406)
Transfer to non-current assets classified as held for sale	(1,441)	-	(1,441)
Foreign exchange	3	-	3
Fair value, December 2009 and December 2010	-	-	-

Non-current assets for the Company, being investment in Sagentia Group AG, Sagentia Holdings Limited and Sagentia Limited of £10,559,000 (2009: Sagentia Group AG of £10,559,000).

Non-current assets classified as held for sale	Group	
Non-current assets classified as held for sale	Unquoted equity investments £000	Total £000
Fair value, January 2009	-	-
Transfer from non-current asset designated at fair value through profit or loss	1,441	1,441
Fair value, December 2009	1,441	1,441
Fair value, January 2010	1,441	1,441
Change in fair value	(417)	(417)
Fair value, December 2010	1,024	1,024

The Report of the Directors refers to a number of post balance sheet events regarding the equity investments, further details of which are provided below.

Notes to the Financial Statements continued

14 Investments (continued)

Group investments

Sagentia held investments in the following subsidiaries and investments at 31 December 2010. To avoid a statement of excessive length, details of investments that are not significant have been omitted.

Subsidiary and investments of Sagentia Group plc	Note	Country of incorporation	Principal activity	Shares held	%
Consulting operations					
Sagentia Group AG*	1	Switzerland	Holding company	Ordinary	99.9
Sagentia Holdings Limited*		England	Holding company	Ordinary	100
Sagentia Limited*		England	Consultancy	Ordinary	100
Manage5Nines Limited	2	England	IT Consultancy	Ordinary	80
Sagentia Inc		USA	Consultancy	Ordinary	100
Sagentia SGAI Limited		Hong Kong	Consultancy	Ordinary	100
Venture subsidiaries					
Sensopad Limited	3	England	Sensor technology	Ordinary	77
Sagentia Sensors Limited		England	Sensor technology	Ordinary	77
Investments					
Atranova Limited	4	England	Battery technology	Ordinary	49
Sphere Medical Holding Limited		England	Medical sensor technology	Ords & A's	7
Atraverda Limited		England	Battery technology	Ords & A's	8
Sensortec Limited	5	England	Sensor technology	Ordinary	7

* Direct subsidiaries of Sagentia Group plc as at 31 December 2010

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

	Group	
Change in fair value on financial assets and other non-current asset movements	2010	2009
	£000	£000
Non-current assets	(417)	(3,406)
Disposal of subsidiaries	-	361
Disposal of own shares	-	(77)
Movement in financial assets held at fair value	(417)	(3,122)

1. In process of being dissolved – liquidation expected 2011
2. Minority stake of 20% acquired on 14 January 2011
3. In process of being dissolved
4. Investment sold on 14 February 2011
5. Investment sold on 27 January 2011

Notes to the Financial Statements continued

15 Trade and other receivables

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Current assets:				
Trade receivables	-	-	3,794	3,424
Provision for impairment	-	-	(345)	(273)
Trade receivables – net	-	-	3,449	3,151
Amounts recoverable on contracts	-	-	125	554
Other receivables	-	-	22	-
VAT	3	2	58	-
Prepayments and accrued income	1	-	433	295
	4	2	4,087	4,000
Current tax asset	-	-	-	14
	4	2	4,087	4,014

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

All of Sagentia's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were considered to be impaired and a provision of £345,000 (2009: £273,000) has been provided in the year. In addition, some of the unimpaired trade receivables are past due as at the reporting date.

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Provision brought forward	-	-	273	226
Debts written off	-	-	(73)	(51)
Provision released	-	-	(182)	(175)
Provision made	-	-	327	273
Provision carried forward	-	-	345	273

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

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Not more than 3 months	-	-	951	1,616
More than 3 months but not more than 6 months	-	-	19	48
More than 6 months but not more than 1 year	-	-	-	-
More than 1 year	-	-	-	-
	-	-	970	1,664

Notes to the Financial Statements continued

16 Cash and cash equivalents

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Short term bank deposits	11,907	-	11,916	-
Cash at bank and in hand	(6)	1	4,514	4,234
	11,901	1	16,430	4,234

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

	Group	
	2010 £000	2009 £000
Cash held within venture subsidiary companies	-	28

17 Current liabilities

	Note	Company		Group	
		2010 £000	2009 £000	2010 £000	2009 £000
Trade and other payables - current					
Payments received on account		-	-	1,633	1,775
Trade payables		3	13	449	638
Other taxation and social security		78	27	467	391
Amounts owed to group undertakings	23	4,757	21	-	-
VAT		-	-	17	168
Accruals		315	86	2,861	1,354
		5,153	147	5,427	4,326
Bank borrowings	20	-	-	800	-
Current tax liabilities		-	-	38	57
		5,153	147	6,265	4,383

Notes to the Financial Statements continued

18 Other non-current liabilities

	Note	Company		Group	
		2010 £000	2009 £000	2010 £000	2009 £000
Loans from minorities to subsidiaries	20	-	-	-	427
Bank borrowings	20	-	-	7,000	6,500
		-	-	7,000	6,927
Other payables		-	-	247	173
Fair value of interest rate swap		-	-	-	351
Deferred income tax liabilities		-	-	2,564	2,568
		-	-	9,811	10,019

Loans from minorities to subsidiaries and borrowings: See explanation per Note 20.

Fair value of interest rate swap: The fair value of the interest rate swap at the end of 2009 was a liability of £351,000. During 2010, the swap was settled. A new interest rate swap was taken out against the £8.0 million loan drawn down in October 2010 (Note 20).

19 Called-up share capital

	2010 £000	2009 £000
<i>Authorised</i>		
Ordinary shares of £0.01 each	465	465
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	417	217
	Number	Number
<i>Authorised</i>		
Ordinary shares of £0.01 each	46,534,390	46,534,390
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	41,723,595	21,723,595

On 18 May 2010 the Company announced that it proposed to raise, subject to certain conditions, £8.0 million (before expenses) through a placing (the 'Placing') of 20,000,000 new ordinary shares of 1.0pence each at a price of 40.0 pence per ordinary share. A General Meeting of the Company was held on 4 June 2010 and all resolutions put to the shareholders were duly passed.

Subsequent to the Placing, the Company's total number of ordinary shares in issue is 41,723,595, each ordinary share having equal voting rights.

Notes to the Financial Statements continued

19 Called-up share capital (continued)

Reconciliation of options in grant	2010		2009	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
At beginning of year	3,134,485	25.4	2,559,485	27.9
Granted during year	4,819,868	43.0	1,295,000	16.0
Lapsed during the year	(1,468,005)	29.5	(720,000)	17.5
At end of year	6,486,348	37.6	3,134,485	25.4

No options were exercised in 2010 or 2009.

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

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

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

The total charge for the year relating to employee share based payment plans was £63,000 (2009: £170,000), all of which related to equity-settled share based payment transactions.

At 31 December 2010, the number of shares under option, the fair value per option granted and the assumptions used in calculation are as follows:

Date of grant	Option exercise period		Number of shares under option						
	From (a)	To	Approved scheme	Unapproved scheme	Incentive scheme	Exercise Price (pence) (b)	Fair Value of options (pence)	Expected Life (years)	Volatility
Dec 2007	Dec 2009	Dec 2017	-	312,211	-	45.0	28.8	10	58%
Nov 2008	Nov 2011	Nov 2018	333,928	25,341	-	17.5	9.9	10	42%
Oct 2009	Oct 2012	Oct 2019	166,666	83,334	-	17.5	10.3	10	42%
Dec 2009	Dec 2012	Dec 2019	495,000	250,000	-	15.5	8.8	10	42%
Jun 2010	Jun 2013	Jun 2020	-	-	3,500,000	40.0	8.0	10	35%
Jul 2010	Jul 2013	Jul 2020	460,000	201,461	658,407	51.0	14.0	10	35%
			1,455,594	872,347	4,158,407				

(a) Subject to earlier exercise in certain limited circumstances

(b) The exercise price is also the share price at date of grant

Notes to the Financial Statements continued

20 Borrowings

Group	Note	2010 £000	2009 £000
Non-current			
Bank borrowings	18	7,000	6,500
Loans from minorities to subsidiaries	18	-	427
		7,000	6,927
Current			
Bank borrowings	17	800	-
Total borrowings		7,800	6,927

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

In October 2010, the Group replaced the bank facility which was due to expire in March 2011. The new five year loan of £8.0 million, on which interest is payable based on LIBOR plus 2.50% margin, is secured on the freehold property and associated lease structure and, subject to a minimum cash balance of £2.0million, it is not subject to covenants related to the operating performance of the Consultancy business.

At 31 December 2010, £7,800,000 (2009: £6,500,000) is outstanding and is repayable by Sagentia Limited to Lloyds TSB Bank plc.

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

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Between 1 and 2 years	-	-	800	-
Between 2 and 5 years	-	-	7,000	6,500
Over 5 years	-	-	-	-
	-	-	7,800	6,500

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

Notes to the Financial Statements continued

21 Commitments

Lease commitments

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

	Company		Group	
	2010 £000	2009 £000	2010 £000	2009 £000
Plant and equipment lease commitments				
Operating lease payments:				
- Within one year	-	-	3	32
- Between one and five years	-	-	11	11
			14	43
Property lease rentals				
Operating lease payments:				
- Within one year	-	-	-	23
- Between one and five years	-	-	31	135
			31	158
			45	201

22 Capital and other financial commitments

At 31 December 2010 the Group and the Company had commitments of £Nil (2009: £Nil). The Group had a committed un-drawn loan facility of £Nil at 31 December 2010 (2009: £2.5 million).

At 31 December 2010, the Group had a 5 year loan facility of £8.0 million secured on Harston Mill, Harston, near Cambridge, UK, of which £8.0 million (2009: £6.5 million) had been drawn down. This facility is repayable in October 2015 as detailed in Note 20. The Company has no loan facility at 31 December 2010 (2009: £Nil).

23 Related party transactions

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

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

Company	2010 Loans £000	2010 Sale of goods and services £000	2009 Loans £000	2009 Sale of goods and services £000
Sagentia Limited	4,757	300	21	900
Sagentia Holdings Limited	-	-	-	450
	4,757	300	21	1,350

The loan with Sagentia Limited arose as a result of the restructuring of the group.

During the year, IT consultancy services of £1,100 (2009: £Nil) were provided by Microgen plc, a company of which Martyn Ratcliffe is Chairman and a shareholder. No balances were outstanding at the year end (2009: £Nil).

Key personnel are the 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.

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

(a) Fair value of investments

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

(b) Project accounting

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

25 Principal risks and uncertainties facing Sagentia

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

Risk of increased competition

Sagentia may face significant competition, both actual and potential, including competition from competitors with greater capital resources than those of Sagentia and/or new competitors entering the market. 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/fee rates 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 of approximately 2-3 months. Loss of key customer contracts may reduce the order book and could lead to loss of consulting utilisation efficiency and, therefore, profitability.

Customer Concentration

In 2010 Sagentia's top five customers accounted for 40.0% of revenues. The loss of a major customer could result in a decrease in group revenues, margins and 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 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 recruit, replace or retain key staff can threaten the business's ability to deliver projects to its clients or to win new work.

Technology Leadership

Sagentia applies latest practices in developing new technologies and intellectual property. This requires Sagentia to retain a lead in technology leadership, which if lost, could result in lost business.

Project over-run or failure to meet technical milestones

Sagentia is vulnerable to projects over-running and/or failure to meet technical milestones because the nature of the work which Sagentia undertakes is technically challenging. Project over-run can lead to loss of margin on projects and overall profitability for the consulting business. Management recognises this uncertainty by conducting a regular review exercise to gauge whether the revenue recognised on contracts in progress 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.

Notes to the Financial Statements continued

25 Principal risks and uncertainties facing Sagentia (continued)

Infringement of third party IP rights

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

Reputational risk

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

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.

Inability to find suitable M&A opportunities

It is part of Sagentia's strategy to expand through merger and acquisition opportunities. If the group is unable to source and/or complete such opportunities on beneficial commercial terms this could inhibit the Group's future growth prospects.

Loss of value or liquidation of portfolio companies

Sagentia's strategy is to enable the exploitation of 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 cash flows 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 currencies. As project timetables cannot be guaranteed, Sagentia cannot fully protect its position and foreign currency exposure.

Counterparty risk

Sagentia undertakes financial transactions with certain counterparties, the creditworthiness of which cannot be guaranteed. The failure of a counterparty could result in a material loss.

United Kingdom and other taxation

Current taxation and revenue legislation and practice in the UK and other jurisdictions may change. Such changes may, amongst other matters, affect the Group's ability to utilise its tax losses. Failure to comply with local tax requirements might result in increased taxes, penalties or damage to the Group's reputation.

Economic conditions affecting financial circumstances of customers of the Group

The profitability of the Group could be adversely affected by the continuation or worsening of general economic conditions in the United Kingdom and overseas by virtue of the financial failure of customers or potential customers of the Group. It may also involve customers defaulting on the payment of invoices issued by the Group or delaying payment of invoices which may have a significant impact on the income and the business of the Group.

Risk to property

Sagentia owns the freehold to Harston Mill near Cambridge. Any reduction in property values and/or rental yields would adversely affect Sagentia's rental income and the carrying value of the property on its balance sheet. Any loss of tenants would also reduce rental income.

Changes in legislation relating to trading

Sagentia operates in a variety of sectors, including the life science sector, which can be highly 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.

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.

26 Post balance sheet event

On 14 January 2011 the company acquired the minority shareholding in Manage5Nines Limited for £150,000.

On 27 January 2011 the company completed the sale of its shareholding in Sensortec Limited and on 14 February 2011 the company completed the sale of its shareholding in Atranova Limited. Combined consideration received was £239,000.

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