SAGENTIA

4 March 2015

SAGENTIA GROUP PLC

AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Sagentia Group plc ('Sagentia' or the 'Group' or the 'Company') reports its audited results for the year ended 31 December 2014.

Summary

- Satisfactory operating performance in volatile currency environment
- Core consultancy fees in line with prior year at £25.7 million (2013: £25.8 million)
- Group revenue of £28.3 million (2013: £30.6 million) reflecting currency impact of £0.8 million and revenue reductions in non-core activities including M5N
- Adjusted* operating profit of £5.4 million (2013: £5.7 million) primarily due to currency impact of £0.7 million
- Acquisition of Oakland Innovation Limited in February 2015
- Proposed significant dividend increase to 4.0 pence per share (2013: 1.1 pence)
- Proposed share buy-back and liquidity programme

Sagentia Group plc

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* Throughout this statement, adjusted operating profit and margin excludes amortisation and impairment of intangible assets and share based payment charges.

Chairman's Statement

Sagentia Group plc reports another satisfactory operating performance for the year ended 31 December 2014, particularly in the context of the volatile currency environment throughout the year. While comparisons to 2013 require adjustments to reflect a number of one-off events in the prior year, in summary, the first half of 2014 was challenging while the second half of the year returned to growth in the core consultancy business. Operating margins were exceptionally strong and the balance sheet remains very robust.

Business Summary and Operational Review

Sagentia Group plc provides outsourced science, product and technology development consultancy services to a wide range of markets. The majority of the Group's revenues are derived from projects operated on behalf of clients on a time and materials basis, although some smaller projects, providing technology advisory services, are undertaken on a fixed price model. The Group's operations are based primarily at the Group's freehold campus property in Harston, near Cambridge, with additional UK offices in London and Guildford, and US offices in Boston, Massachusetts, and Houston, Texas.

The Core Business segment of the Sagentia Group comprises two divisions, further information on which is available at www.sagentia.com:

- The *Product & Technology Development* division represents the majority of the business and is focussed on science, product and technology development.
- The *Technology Advisory* division provides technology advisory services to a number of market sectors. The division incorporates the OTM business acquired in 2013 and the newly acquired Oakland Innovation Limited.

For the year ended 31 December 2014, Group revenue was £28.3 million (2013: £30.6 million) although Core Consultancy Fees were in line with the prior year at £25.7 million (2013: £25.8 million). Adjusted operating profit of £5.4 million (2013: £5.7 million) reflected the strong adjusted operating margin of 19.1% (2013: 18.8%). The results in 2014 were negatively affected by the volatile currency environment with the average USD Sterling rate of 1.65 being materially higher than 2013 (1.56), an impact of £0.8 million in terms of revenue and £0.7 million in terms of profit. In addition, 2013 benefitted from an exceptionally strong first half of the year; a one-off licence of £0.4 million; and the Manage5Nines IT services business which has now been discontinued, while 2014 benefitted from a full year of the acquisition of OTM Consulting, acquired in July 2013. (Further detail is provided in the Finance Director's Report. An investor presentation is also available at www.sagentia.com which includes a bridge between the 2013 and 2014 results.)

Revenue from the Group's Commercial customers accounted for 57% of Core Business revenue with the Medical customer base accounting for 43% (2013: 54% and 46% respectively.) The Group continues to have a high proportion (78%) of its consultancy revenue derived from international markets (2013: 82%), particularly North America which accounted for 61% (2013: 67%).

Cash balance at 31 December 2014 was £23.8 million (2013: £22.4 million) with net funds of £15.0 million (2013: £12.6 million), after cash outflow associated with share buy backs of £1.8 million. The Group's debt of £8.8 million at 31 December 2014 is secured only on the freehold property in Harston which has a current balance sheet carrying value of £13.6 million.

Strategic Developments

At the end of 2013, the Board decided to wind down the Group's outsourced IT services business, Manage5Nines Limited. This business was a minor non-core legacy activity in an increasingly challenging market. In 2013, Manage5Nines contributed revenue of £1.1 million to the Group. This business was successfully wound down during the first half of the year, contributing revenue of £0.2 million.

On 18 February 2015, Sagentia acquired Oakland Innovation Limited ('Oakland') for a consideration of £5.0 million. Oakland is a Cambridge-based R&D consultancy specialising in technology innovation and market intelligence for the global consumer and healthcare markets. The business will become part of the Group's Technology Advisory business and will be relocated to the Group's facility in Harston.

Dividend and Share Liquidity

While the Board has evaluated a number of other potential acquisition opportunities of varying scale during the past year, in the absence of a major acquisition, the Board has reviewed the cash requirements of the business particularly in the context of the strong operational cash generation. As announced on 23 January 2015, the Board has considered a return of cash to shareholders and through the Company's broker consulted with a number of Sagentia's major shareholders regarding the appetite for participation in a tender offer. As a result, it is apparent that there would be limited take-up of a tender offer at a level that the Board could recommend, based on the share price over the six months prior to the announcement, and the Board has therefore given further consideration to balancing cash retention for investment in the future growth of the Company and returns to Shareholders.

Through this process, the Board has reviewed the Company's dividend policy and in view of the strong cash generation of Sagentia, together with the exceptional asset base of the Group, the Board are proposing to substantially increase the dividend to 4.0 pence per share (2013: 1.1 pence), at a total cost of £1.5 million (2013: £0.4 million) based on the number of shares in issue at 28

February 2015. Such a yield, equivalent to approximately 3% (based on the Company's recent share price), should further enhance the investment returns for all Sagentia Shareholders. The Board will retain its policy of a single dividend per annum and in the event of a major acquisition will review the dividend policy. Subject to shareholder approval, the dividend will be payable on 12 June 2015 to shareholders on the register at the close of business on 22 May 2015.

The Board believes that maintaining an institutional shareholder base is fundamental to the purpose of being quoted on the AIM market. Unfortunately, the lack of share liquidity is a challenge for many small cap listed companies and can be a deterrent to institutional investors. While broker market makers can provide some liquidity, it is unrealistic to expect them to balance relatively significant amounts of shares over extended periods. The consequence of this market imperfection is that many institutional investors are reluctant to invest in illiquid small cap shares, such as Sagentia, yet one of the primary reasons for a company being listed is to access capital when appropriate and placing shares with institutional investors is by far the most practical, cost-effective method of raising capital for a small cap company. Retaining an institutional investor base is therefore considered by the Board to be beneficial to Shareholders, the Company, its employees and its customers.

Therefore, as in previous years, the Board will seek approval from Shareholders at the Annual General Meeting ('AGM') for authority to acquire up to 10% of the issued share capital of the Company so that, if deemed appropriate and in the best interests of Shareholders, the Company may undertake share purchases in the coming year. In addition, the Board will seek Shareholder approval for an extension to this authority to acquire up to an incremental 10% of the issued share capital of the Company, subject to the aggregate cost of the share buy-back under both authorities being capped at £10 million. Due to the shareholding of the Chairman (32.6% at 28 February 2015), these authorities will, as in previous years, be conditional on the passing of a general authority Panel Waiver by shareholders and on Takeover Panel approval of a waiver of Rule 9 of the UK Code on Takeovers and Mergers.

While buy-back programmes can address short term sell-side liquidity, there is a reciprocal challenge for institutional investors in sourcing shares in small cap companies, where a relevant holding within a typical fund portfolio may require a shareholding in a company such as Sagentia of around 5%. Unfortunately share buy-back programmes reduce supply liquidity exacerbating the market liquidity challenge in the medium term. Therefore, the Board has determined to consider providing supply liquidity through sale of the treasury shares acquired through the buy-back programme. This will require approval of the standard resolution regarding pre-emption rights at the AGM, limited to 10% of the issued equity at the time of the AGM notice. This authority is generally used to facilitate small fund raisings but could be equally applicable to facilitate supply-side liquidity and, subject to such action being considered to be in the best interests of Shareholders, the Board will consider using this authority for resale of treasury shares subject to the following:

- The Company's Broker having made reasonable endeavours to source supply in the open market;
- Minimum volume of 1.0 million shares;
- The buyer having been identified to the Company; having long term investment intentions; and not holding more than 10% (directly or in association with any other holder) of the issued share capital after the transaction; and
- The price of the Treasury Shares sold being at prevailing market prices at the time.

The Board believe that this share liquidity programme, addressing both buy-side and sell-side liquidity, offers a potentially attractive mitigation to institutional investor concerns regarding small cap investments. It must be emphasised that the Board will only undertake these actions when they reasonably consider that the transaction will be in the best interests of Shareholders and the Company will not be in breach of the Financial Services and Markets Act 2000 and other related regulations.

Summary

In summary, 2014 had a more challenging start than the prior year which, as previously reported, had been exceptionally strong. This was made more difficult by a rapidly deteriorating foreign exchange environment in the first half. However the second half of the year saw a return to organic growth in the core consultancy business, despite the negative currency impact. Through tight cost control, operating margins were above the Board's target and a satisfactory overall result for the year was achieved.

The integration of OTM Consulting, acquired in mid-2013, has been successful and the integration of Oakland is now in progress. The Board continues to evaluate corporate opportunities to accelerate the growth of Sagentia, although there can be no certainty that any transaction(s) will occur.

In the absence of a major acquisition, the Board has considered how best to deliver value for Shareholders and is proposing specific measures, namely a very attractive dividend, increased share buy-back programme and supply side liquidity. Shareholders will have the opportunity to vote on these proposals at the Annual General Meeting, scheduled for 21 May 2015.

Martyn Ratcliffe
Chairman

Finance Director's Report

In the year ended 31 December 2014, the Group generated revenue of £28.3 million (2013: £30.6 million). Adjusted operating profit was £5.4 million (2013: £5.7 million), reflecting the tight cost control and high adjusted operating margin of 19.1% (2013: 18.8%). Reported operating profit was £4.7 million (2013: £5.4 million) and profit before tax was £4.2 million (2013: £4.9 million). (Adjusted operating profit and/or margin excludes amortisation and impairment of intangible assets and share based payment charges.)

A significant proportion of the Group's revenue is denominated in US Dollars and Euros and changes in exchange rates can have a significant influence on the financial performance. In 2014, £14.1 million of the Group revenue was denominated in US Dollars at an average exchange rate of 1.65 (2013: £13.9 million at 1.56). On a constant currency basis, if the 2013 GBP/USD exchange rate had prevailed throughout 2014, revenue and operating profit would have been £0.8 million higher and £0.7 million higher respectively.

At 31 December 2014, Sagentia had £17.6 million (2013: £20.9 million) of tax losses carried forward of which £9.3 million (2013: £12.6 million) relate to trading losses which are anticipated to be used to offset future trading profits. At 31 December 2013, all of these carried forward trading tax losses were recognised as a deferred tax asset in the balance sheet. This asset reduces as the tax losses are utilised, but the reported corporation tax charge on trading profits for the year ended 31 December 2014 cannot therefore be offset by newly recognised carried forward losses. Therefore, for the year ended 31 December 2014, the tax charge reported in the statutory accounts more closely reflects the nominal corporation tax rate with a corresponding effect on reported profit after tax and earnings per share.

The unrecognised tax losses of £8.3 million (2013: £8.3 million) include £2.3 million (2013: £2.3 million) of trading losses in Sagentia Inc and £4.3 million (2013: £4.3 million) of tax losses derived from excess management expenses in a subsidiary used for legacy investments (which have previously been fully impaired). This company had net liabilities of £8.2 million at 31 December 2014 (2013: £8.2 million) and the excess management expenses can solely be utilised by this company against its future trading profits. The Group will only recognise these tax losses when it becomes probable that the tax losses can be utilised and only an insignificant amount of revenue was recognised in this subsidiary in the year ended 31 December 2014.

The accounting treatment of the tax losses has a significant effect on earnings per share and therefore, based on the average number of shares in issue during the year, adjusted basic earnings per share ('EPS') from continuing operations decreased to 10.6 pence (2013: 13.4 pence) and adjusted diluted EPS from continuing operations decreased to 9.6 pence (2013: 12.2 pence). This reduction is in line with the increase in the Company's corporation tax charge moving closer to the corporation tax rate for 2014 albeit that the cash outflow related to tax is anticipated to be

significantly below the reported tax cost. The Board anticipate that, in view of the trading tax losses carried forward, if the Group's profit profile remains similar to 2014, the Group's cash outflow related to tax will continue to be modest for the next two years, after which the tax cash flow will increase.

The Group reports its results under two business segments. The 'Core Business' represents all revenues derived from consultancy fees (excluding IT services) and project expenses recharged on consultancy projects, together with revenues from product sales and licence income. The 'Other' segment comprises fees and recharged project expenses derived from outsourced IT services (Manage5Nines Limited, a wholly owned subsidiary which was wound down during 2014) and property income.

Revenue from Core Business activities was £27.2 million (2013: £28.3 million) and Consultancy fees, which exclude recharged material revenues, product and licence income and other non-Core revenues, remained in line with 2013 at £25.7 million (2013: £25.8 million), of which £4.5 million (2013: £2.4 million) was derived from acquisitions made in 2013. Revenue from Core Business operations includes materials used in projects recharged to customers of £1.4 million (2013: £2.1 million), and product and licence revenue of £0.1 million (2013: £0.5 million, including a one-off licence of £0.4 million).

Other revenue includes property income from space let in the Harston Mill facility of £1.0 million (2013: £1.2 million), reflecting the increased space utilised by Sagentia. The Harston Mill property currently has a total of 9 tenants (2013: 8 tenants). Approximately 5,300 square feet (2013: 7,400), or 17% of the total lettable area was available at the beginning of 2015. Other revenue also includes IT Support (including materials) through Manage5Nines Limited totalling £0.2 million (2013: £1.1 million).

In September 2013, the Group entered into a new £10.0 million term loan with Lloyds TSB Bank plc ('Lloyds') for a term of five years with £5.0 million amortising and the remaining £5.0 million repayable at term. This loan is secured solely on the freehold property at Harston and subject to maintaining cash balances in excess of £2.0 million, the loan is not subject to operating covenants. The Group has also entered into a five year interest rate swap, the effect of which is to fix the interest rate on the new loan at approximately 3.9%. The Group adopted hedge accounting in the prior year under IFRS 9, *Financial Instruments* however ceased to hedge account for the interest rate swap during the current financial year. The change in fair value of the interest rate swap from inception to balance sheet date of £203,000 was recognised in the Consolidated Income Statement in the year ended 31 December 2014 (2013: the change in fair value of £41,000 was recognised in reserves).

The Group has a strong balance sheet with Shareholders' Funds at 31 December 2014 of £33.4 million, equivalent to 89.6 pence per share (2013: Shareholders' Funds of £31.1 million equivalent to 80.6 pence per share) including the Group's freehold property in Harston. The freehold property at

Harston was independently valued in July 2010 and August 2013 related to the associated bank loan. Under the assumptions used, including tenant covenant strength and market rents, the latest indicative valuation range for the building was between £12.9 million and £18.0 million. The Board has not adjusted the carrying value of the property on the balance sheet since 2010 which at 31 December 2014 was £13.6 million.

The gross cash position at 31 December 2014 was £23.8 million, (2013: £22.4 million) and net funds were £15.0 million (2013: £12.6 million), after cash outflow of £1.8 million related to the share buy-back programme. Net cash generated from operating activities was £4.9 million (2013: £3.9 million). Debtor days were 50 days (2013: 48 days) and combined debtor and WIP days were 12 (2013: 21).

Rebecca Hemsted
Finance Director

Consolidated Income Statement
For the year ended 31 December 2014

	Note	2014 £000	2013 £000
Revenue	2	**28,329**	30,596
Operating expenses		**(22,926)**	(24,852)
Adjusted operating profit		**5,403**	5,744
Amortisation and impairment of intangible assets		**(229)**	(109)
Share based payment charge		**(431)**	(283)
Operating profit	2	**4,743**	5,352
Finance costs		**(570)**	(467)
Finance income		**28**	54
Profit before income tax		**4,201**	4,939
Income tax	3	**(765)**	(306)
Profit for the year		**3,436**	4,633
Profit for the year attributable to equity holders of the parent		**3,436**	4,633
Earnings per share			
Earnings per share from continuing operations (basic)	5	**8.9p**	12.4p
Earnings per share from continuing operations (diluted)	5	**8.1p**	11.2p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the year	**3,436**	4,633
Other comprehensive income		
Items that will or may be reclassified to profit or loss:		
Fair value gain / (loss) on interest rate swap, net of tax	**41**	(41)
Exchange differences on translating foreign operations	**43**	(27)
Other comprehensive income/(expense) for the year	**84**	(68)
Total comprehensive income for the year	**3,520**	4,565
Total comprehensive income for the year attributable to owners of the parent	**3,520**	4,565

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2014

	Issued capital	Share premium	Treasury stock	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholder funds
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2013	**420**	**7,581**	**(4,451)**	**10,343**	**222**	**1,193**	**9,943**	**25,251**
Issue of shares out of treasury stock	-	-	749	-	-	-	(373)	**376**
Acquisition of OTM Consulting	-	194	765	-	-	-	-	**959**
Dividends paid	-	-	-	-	-	-	(366)	**(366)**
Share based payment charge	-	-	-	-	-	283	-	**283**
Transactions with owners	**-**	**194**	**1,514**	**-**	**-**	**283**	**(739)**	**1,252**
Profit for the year	-	-	-	-	-	-	4,633	**4,633**
Other comprehensive income:								
Fair value gain / (loss) on interest rate swap	-	-	-	-	-	-	(41)	**(41)**
Exchange differences on translating foreign operations	-	-	-	-	(27)	-	-	**(27)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(27)**	**-**	**4,592**	**4,565**
Balance at 31 December 2013	**420**	**7,775**	**(2,937)**	**10,343**	**195**	**1,476**	**13,796**	**31,068**
Balance at 1 January 2014	**420**	**7,775**	**(2,937)**	**10,343**	**195**	**1,476**	**13,796**	**31,068**
Purchase of own shares	-	-	(1,801)	-	-	-	-	**(1,801)**
Issue of shares out of share capital	1	31	-	-	-	-	-	**32**
Issue of shares out of treasury stock	-	-	300	-	-	-	(138)	**162**
Dividends paid	-	-	-	-	-	-	(428)	**(428)**
Share based payment charge	-	-	-	-	-	431	-	**431**
Deferred tax on share-based payment transactions	-	-	-	-	-	-	465	**465**
Transactions with owners	**1**	**31**	**(1,501)**	**-**	**-**	**431**	**(101)**	**(1,139)**
Profit for the year	-	-	-	-	-	-	3,436	**3,436**
Other comprehensive income:								
Fair value gain / (loss) on interest rate swap	-	-	-	-	-	-	41	**41**
Exchange differences on translating foreign operations	-	-	-	-	43	-	-	**43**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**43**	**-**	**3,477**	**3,520**
Balance at 31 December 2014	**421**	**7,806**	**(4,438)**	**10,343**	**238**	**1,907**	**17,172**	**33,449**

Consolidated Balance Sheet
At 31 December 2014

	Note	2014 £000	2013 £000
Assets			
Non-current assets			
Acquisition related intangible assets		**1,867**	2,058
Goodwill		**3,458**	3,577
Property, plant and equipment		**14,458**	14,482
Investments		**-**	-
Deferred income tax assets	4	**1,868**	2,634
		21,651	22,751
Current assets			
Trade and other receivables	7	**5,474**	5,272
Cash and cash equivalents		**23,802**	22,428
		29,276	27,700
Total assets		**50,927**	50,451
Liabilities			
Current liabilities			
Trade and other payables	8	**6,783**	7,105
Current income tax liabilities	8	**22**	155
Borrowings	8	**1,009**	1,020
		7,814	8,280
Non-current liabilities			
Borrowings	9	**7,778**	8,778
Other payables	9	**-**	112
Derivative financial liabilities	9	**203**	41
Deferred income tax liabilities	4	**1,683**	2,172
		9,664	11,103
Total liabilities		**17,478**	19,383
Net assets		**33,449**	31,068
Shareholders' equity			
Share capital	10	**421**	420
Share premium		**7,806**	7,775
Treasury stock		**(4,438)**	(2,937)
Merger reserve		**10,343**	10,343
Translation reserve		**238**	195
Share based payment reserve		**1,907**	1,476
Retained earnings		**17,172**	13,796
Total equity		**33,449**	31,068

Consolidated Statement of Cash Flows
For the year ended 31 December 2014

	2014	2013
	£000	£000
Profit before income tax	**4,201**	4,939
Depreciation and amortisation charges	**629**	441
Loss on disposal of property, plant and equipment	**7**	-
Change in fair value on interest rate swap	**203**	-
Share based payment charge	**431**	283
Impairment of goodwill and intangible assets	**126**	-
Write-off of fair value of contingent consideration	**(81)**	-
(Increase) / decrease in receivables	**(202)**	(1,321)
Increase / (decrease) in payables	**(291)**	(120)
Cash generated from operations	**5,023**	4,222
UK corporation tax paid	**(155)**	(339)
Foreign corporation tax received / (paid)	**-**	46
Cash flows from operating activities	**4,867**	3,929
Purchase of property, plant and equipment	**(428)**	(419)
Purchase of subsidiary undertaking, net of cash received	**-**	(3,770)
Cash flows used in investing activities	**(428)**	(4,189)
Issue of ordinary share capital	**32**	-
Issue of shares out of treasury	**162**	376
Repurchase of own shares	**(1,801)**	-
Dividends paid	**(428)**	(366)
Proceeds from bank loans	**-**	10,000
Repayment of bank loans	**(1,000)**	(6,450)
Proceeds from other loan	**-**	10
Repayment of other loan	**(11)**	(28)
Cash flows from / (used in) financing activities	**(3,046)**	3,542
Increase / (decrease) in cash and cash equivalents in the year	**1,394**	3,282
Cash and cash equivalents at the beginning of the year	**22,428**	19,179
Exchange gains / (losses) on cash	**(20)**	(33)
Cash and cash equivalents at the end of the year	**23,802**	22,428

Extracts from notes to the financial statements

1. General Information

Sagentia Group plc (the 'Company') and its subsidiaries (together 'Sagentia' or 'Group') is an international science and technology consulting group providing outsourced R&D consultancy and technology advisory services. The Company is the ultimate parent company in which results of all Sagentia companies are consolidated.

Sagentia develops new and novel technologies in the Medical (Diagnostics, Patient Care and Surgical) and Commercial (Industrial, Consumer and Oil & Gas) industries and technology advisory services. Sagentia's facilities include offices and laboratories located in Europe in Harston near Cambridge, London and Guildford, in the US in Boston, Massachusetts and Houston, Texas, and in Dubai.

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 and domiciled in England and Wales under the Companies Act 2006 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 2014, was 118.5 pence per share (31 December 2013: 142.0 pence).

2. Segment information

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

Year ended 31 December 2014	**Core Business £000**	**Other £000**	**Total £000**
Fees	25,672	-	25,672
IT Support	-	128	128
Property income	-	1,024	1,024
Recharged project expenses	1,423	25	1,448
Product and licence income	57	-	57
Revenue	**27,152**	**1,177**	**28,329**
Adjusted operating profit	**5,196**	**207**	**5,403**
Amortisation and impairment of intangible assets			(229)
Share based payment charge			(431)
Operating profit			**4,743**
Finance charges (net)			(542)
Profit before income tax			**4,201**
Income Tax			(765)
Profit for the year from continuing operations			**3,436**

2. Segment information (continued)

Year ended 31 December 2013	Core Business £000	Other £000	Total £000
Fees	25,765	-	25,765
IT Support	-	637	637
Property income	-	1,171	1,171
Recharged project expenses	2,105	455	2,560
Product and licence income	463	-	463
Revenue	**28,333**	**2,263**	**30,596**
Adjusted operating profit	**5,962**	**(218)**	**5,744**
Amortisation of acquisition related intangible assets			(109)
Share based payment charge			(283)
Operating profit			**5,352**
Finance charges (net)			(413)
Profit before income tax			**4,939**
Income Tax			(306)
Profit for the year from continuing operations			**4,633**

Geographical segments

Revenue and non-current assets (excluding deferred tax assets) by geographical area are as follows:

	2014		2013	
	Revenue £000	**Non-current assets £000**	Revenue £000	Non-current assets £000
United Kingdom	**7,153**	**19,781**	7,430	20,110
Other European countries	**3,667**	**-**	3,424	-
North America	**16,546**	**2**	19,111	7
Other	**963**	**-**	631	-
Total	**28,329**	**19,783**	30,596	20,117

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 2014 there was no single customer that accounted for 10% or more of the group's revenues. In 2013, £3.8 million (12%) of the Group's revenues depended on a single customer in the Core Business segment, based in North America.

3. Income tax

The tax (charge) / credit comprises:

Year ended 31 December	**2014 £000**	2013 £000
Current taxation	**(120)**	(223)
Adjustment to prior year	**97**	48
Deferred taxation (Note 4)	**(742)**	(131)
	(765)	(306)

3. Income tax (continued)

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

	2014 £000	2013 £000
Profit before tax	**4,201**	4,939
Tax calculated at domestic tax rates applicable to profits / (losses) in the respective countries	**(903)**	(1,149)
Expenses not deductible for tax purposes	**(160)**	(125)
Adjustment in respect of prior periods	**97**	48
Share scheme deduction	**210**	-
Movement in deferred tax due to change in tax rate	**(9)**	(144)
Unprovided tax losses	**-**	1,064
Tax (charge) / credit	**(765)**	(306)

The weighted average statutory applicable tax rate was 21.5% (2013: 23.3%).

The Group has available tax losses of approximately £17.6 million (2013: £20.9 million).

4. Deferred income tax

	2014 £000	2013 £000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**938**	1,767
Deferred tax asset to be recovered within 12 months	**930**	867
	1,868	2,634
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(1,683)**	(2,172)
	(1,683)	(2,172)
Total	**185**	462

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

	2014 £000	2013 £000
Beginning of the year	**462**	1,103
Acquisition of subsidiaries in the year	**-**	(510)
Income statement charge (Note 3)	**(742)**	(131)
Movement in Equity	**465**	-
End of year	**185**	462

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

	Deferred tax liability £000	Deferred tax asset £000	**Total £000**
At 1 January 2013	**(2,220)**	**3,323**	**1,103**
Acquisition of subsidiaries in the year	(510)	-	(510)
Charged to the income statement	558	(689)	(131)
At 31 December 2013	**(2,172)**	**2,634**	**462**
Charged to the income statement	24	(766)	(742)
Charged to Equity	465	-	465
At 31 December 2014	**(1,683)**	**1,868**	**185**

4. Deferred income tax (continued)

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:

	Provided		**Not provided**	
	2014	2013	**2014**	2013
Deferred taxation is attributable to:	**£000**	£000	**£000**	£000
Accelerated capital allowances	**(2,007)**	(2,007)	**-**	-
Tax losses available	**1,868**	2,634	**1,723**	1,782
Acquisition related intangible assets	**(401)**	(432)	**-**	-
Other temporary differences	**725**	267	**-**	-
Deferred tax asset	**185**	462	**1,723**	1,782
Tax losses relating to deferred tax asset not recognised	**-**	**-**	**8,262**	8,262

5. Earnings per share

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

	2014			2013		
	Profit after tax £000	**Weighted average number of shares (number)**	Pence per share	Profit after tax £000	Weighted average number of shares (number)	Pence per share
Basic earnings per ordinary share	**3,436**	**38,500,084**	8.9p	4,633	37,424,309	**12.4p**
Effect of dilutive potential ordinary shares: share options	**-**	**4,029,210**	(0.8)p	-	3,910,418	**(1.2)p**
Diluted earnings per ordinary share	**3,436**	**42,529,294**	8.1p	4,633	41,334,727	**11.2p**
Effect of adjustments*	**660**	**-**	1.5p	392	-	**1.0p**
Adjusted diluted earnings per ordinary share*	**4,096**	**42,529,294**	9.6p	5,025	41,334,727	**12.2p**

* Adjustments made to profit after tax are as set out within the consolidated income statement.

Adjusted basic earnings per share for continuing operations in 2014 were 10.6 pence (2013: 13.4 pence).

Only the share options granted, as disclosed in Note 10, are dilutive. The number of shares in issue (excluding treasury shares) at 31 December 2014 is 37,336,615 (2013: 38,538,230).

6. Dividends

The proposed final dividend for 2013 of 1.1 pence per share was approved by the Board on 20 May 2014. An amount of £0.4 million was recognised as a distribution to equity holders in the year ended 31 December 2014.

The Board has proposed a final dividend for 2014 of 4.0 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and the expected cost of £1.5 million has not been included as a liability as at 31 December 2014.

7. Trade and other receivables

	2014 £000	2013 £000
Current assets:		
Trade receivables	**4,269**	3,625
Provision for impairment	**(67)**	(81)
Trade receivables – net	**4,202**	3,544
Amounts recoverable on contracts	**728**	1,211
Other receivables	**16**	9
Prepayments	**528**	508
	5,474	5,272

8. Current liabilities

	2014 £000	2013 £000
Trade and other payables - current		
Payments received on account	**2,845**	2,025
Trade payables	**484**	342
Other taxation and social security	**344**	351
VAT	**69**	12
Deferred income	**845**	896
Accruals	**2,196**	3,479
	6,783	7,105
Bank borrowings	**1,000**	1,000
Other borrowings	**9**	20
Current tax liabilities	**22**	155
	7,814	8,280

9. Other non-current liabilities

	2014 £000	2013 £000
Bank borrowings	**7,750**	8,750
Other borrowings	**28**	28
	7,778	8,778
Other payables	**-**	112
Interest rate swap	**203**	41
Deferred income tax liabilities	**1,683**	2,172
	9,664	11,103

10. Called-up share capital

	2014 £000	2013 £000
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	**421**	420
	Number	Number
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	42,062,035	42,042,035

The allotted, called-up and fully paid share capital of the Company as at 31 December 2014 was 42,062,035 shares (2013: 42,042,035). At the beginning of 2014, 3,503,805 of these shares were held by the Company as treasury shares.

During 2014 the Company issued 20,000 shares out of share capital as deferred consideration for the purchase of Quadro Design Limited and 368,385 treasury shares in the settlement of the exercise of share options. The Company also purchased 1,590,000 of its own shares. As a result, as at 31

December 2014, the total number of ordinary shares in issue (excluding treasury shares) was 37,336,615 (2013: 38,538,230) and the number of treasury shares held was 4,725,420 (2013: 3,503,805) equivalent to 12.7% of the Company's issued share capital. It is the intention of the Company to hold the treasury shares for the purpose of settling employee share schemes and for settling cash consideration in any future business, and in limited circumstances to satisfy investor demand which market liquidity is unable to meet. No dividend or other distribution may be made to the Company in respect of the treasury shares.

11. Borrowings

	2014 £000	2013 £000
Non-current		
Bank borrowings	**7,750**	8,750
Other borrowings	**28**	28
	7,778	8,778
Current		
Bank borrowings	**1,000**	1,000
Other borrowings	**9**	20
	1,009	1,020
Total borrowings	**8,787**	9,798

At 31 December 2014, the Group had a five year loan facility of £10.0 million on which interest is payable based on LIBOR plus 2.00% margin. The loan is secured on the freehold property and associated lease structure and, subject to a minimum cash balance of £2.0 million, it is not subject to covenants related to the operating performance of the Consultancy business.

At 31 December 2014, £8,750,000 (2013: £9,750,000) is outstanding and is repayable by Sagentia Ltd to Lloyds TSB Bank plc.

12. Post balance sheet events

(a) Investment in subsidiary

On 18 February 2015, the Group acquired 100% of the share capital of Oakland Innovation Limited ('Oakland'), a Cambridge-based R&D consultancy specialising in technology innovation and market intelligence for the global consumer and healthcare markets.

The total cash consideration of £5.0 million was satisfied as to £3.6 million in cash on completion and as to £1.4 million satisfied by the sale of Sagentia's treasury shares, equivalent to 1,043,333 Sagentia shares at the average closing mid-market price of 130.7 pence on the five dealing days immediately prior to completion. The Sagentia shares are subject to lock-in periods of between 18 months and three years.

(b) Other investment

On 27 January 2015, the Group acquired 30% of the share capital of Creactive (ID) Design Limited, a Cambridge based Industrial Design consultancy, for a total cash consideration of £100,000.

13. Statement by the directors

The preliminary results for the year ended 31 December 2014 and the results for the year ended 31 December 2013 are prepared under International Financial Reporting Standards as adopted for use in the EU ('IFRS'). The accounting policies adopted in this preliminary announcement are consistent with the Annual Report for the year ended 31 December 2014.

The financial information set out above, which was approved by the Board on 3 March 2015, is derived from the full Group accounts for the year ended 31 December 2014 and does not constitute the statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group accounts on which the auditors have given an unqualified report, which does not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2014, will be delivered to the Registrar of Companies in due course.

The Board of Sagentia approved the release of this audited preliminary announcement on 3 March 2015.

The Annual Report for the year ended 31 December 2014 will be posted to shareholders in due course and will be delivered to the Registrar of Companies following the Annual General Meeting of the Company. The report will also be available on the investor relations page of the Group's website.

Further copies will be available on request and free of charge from the Company Secretary.

- Ends -