SAGENTIA

5 March 2014

SAGENTIA GROUP PLC

AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Sagentia Group plc ('Sagentia' or the 'Group') reports its audited results for the year ended 31 December 2013.

Summary

- Group revenue increased by 37% to £30.6 million (2012: £22.3 million)
- Organic revenue growth of 27% to £28.2 million (excluding businesses acquired in year)
- Adjusted* operating profit increased by 48% to £5.7 million (2012: £3.9 million)
- Group profit-before-tax increased by 65% to £4.9 million (2012: £3.0 million)
- Adjusted* diluted EPS increased by 34% to 12.2 pence (2012: 9.1 pence). Statutory diluted EPS of 11.2 pence (2012: 7.5 pence)
- Gross cash of £22.4 million (2012: £19.2 million) and net funds of £12.6 million (2012: £12.9 million) after £3.8 million net cash expenditure on acquisitions during the year
- Proposed dividend of 1.1 pence per share (2012: 1.0 pence)

Sagentia Group plc

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* Throughout this statement, adjusted operating profit excludes share based payment charges, amortisation of acquisition related intangible assets and exceptional items.

Chairman's Statement

Sagentia Group plc reports a very satisfactory operating performance for the year ended 31 December 2013, delivering revenue growth, both organic and through acquisition, while maintaining strong operating margins and cash flow. The first half of the year was exceptional with a number of large product development projects being delivered, while performance in the second half of the year benefitted from the acquisition of OTM Consulting Limited ('OTM') in July 2013.

Group revenue increased by 37% to £30.6 million (2012: £22.3 million) in total and by 27% to £28.2 million on an organic basis (excluding revenue derived from businesses acquired during the year). Consultancy fees increased by 44% to £25.8 million (2012: £17.9 million) of which acquisitions accounted for £2.4 million in the year. Adjusted operating profit increased by 48% to £5.7 million (2012: £3.9 million), representing a very strong adjusted operating margin of 18.8% (2012: 17.4%), benefitting from the receipt of a one-off royalty of £0.4 million. The results in the first half of the year also benefitted from a relatively weaker currency exchange environment, although with the strengthening of Sterling in the latter part of 2013, for the year as a whole the average exchange rate was not materially different to 2012. Cash balance at 31 December 2013 was £22.4 million (2012: £19.2 million) with net funds of £12.6 million (2012: £12.9 million), after acquisition consideration payments of £3.8 million (net of cash acquired). (Adjusted operating profit excludes share based payment charges, amortisation of acquisition related intangible assets and exceptional items).

Business Summary and Operational Review

Sagentia Group plc provides outsourced science, technology and product 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 projects, particularly technology advisory work, are undertaken on a fixed price basis. The Group's operations are based primarily in Harston, near Cambridge, UK and in Boston, Massachusetts, in the US. Following the acquisition of OTM Consulting Limited, the Group also has offices in Guildford, UK; Houston, Texas, USA; and Dubai, UAE. The Group is also opening an office in London to support the Technology Advisory strategy outlined below.

Revenue from Medical customers increased by 25% to £13.1 million (2012: £10.5 million) and accounted for approximately 46% of Group Core Business revenue for the year (2012: 53%). Projects in the medical market are generally for large corporate or well-financed start-up organisations and therefore, while these large projects generally tend to provide Sagentia with greater demand visibility, they do also result in greater customer concentration and changed priorities by clients may impact on Sagentia's performance at short notice. The global medical market continues to be dominated by North American companies and in 2013 approximately 82% of the revenue derived from Sagentia's Medical customers was sourced from North America (2012: 64%).

Sagentia reported growth of approximately 67% to £15.2 million (2012: £9.1 million) from the Group's Commercial customers, reflecting good organic growth and the benefits of the OTM acquisition. While the average project size from Commercial customers is generally smaller than for Medical projects, Sagentia has strong customer relationships with considerable repeat business from a number of large international organisations. The inclusion of OTM in the second half of 2013 and the continued development of key client accounts in the consumer and industrial markets, resulted in a significant year-on-year increase in Commercial market revenues, such that Commercial customers accounted for approximately 54% of the Group's Core Business revenue (2012: 47%) in the year.

Most of the Group's consultants are currently managed through five skill groups (Science & Technology, Embedded Software, Mechanical Engineering and Design, Project Management and Technology Advisory) and are deployed onto projects as required. This structure provides the Group with the benefits of scale; customers with access to a breadth of science, technology & engineering expertise; and Sagentia's employees with a diversity of technical challenges. Support functions (e.g. finance, HR, legal, marketing and IT) are managed centrally to maximise the benefits of scale from shared resources. Group headcount, excluding contract resources, at 31 December 2013 was 218 (31 December 2012: 155).

Corporate Development

On 9 July 2013, Sagentia announced the acquisition of OTM, an international technology consultancy specialising in the oil, gas and alternative energy sectors. This acquisition accelerated the Group's development in this identified target market. Integration of OTM has progressed satisfactorily and joint marketing activities are affirming the potential synergies between the OTM and Sagentia offerings. There are no deferred payments associated with the OTM acquisition.

The Group also acquired Quadro Design Limited (formerly QDA Limited) ('Quadro') on 14 February 2013. Quadro is a small industrial design company and during the year has demonstrated the benefits from enhancing the offerings of Sagentia. The first year's earn-out target has been achieved.

During the latter part of the year, the Board has undertaken a review of the Group's outsourced IT services business, Manage5Nines Limited. This business is not core to the operations of the Group and has no strategic fit with the future direction of Sagentia. In an increasingly challenging market for IT services and with revenue declining, after considering a number of alternative options the Board resolved to wind down the business activities of Manage5Nines over a period of time. In 2013, Manage5Nines revenue declined by 16% to £1.1 million with £40,000 profit before tax contributed to the Group, before £0.2 million of provisions related to the wind down of the business (2012: £1.3 million revenue and profit before tax of £0.2 million).

Over the past few years the Board has successfully refocused the Group on its core discipline of providing outsourced science, technology and engineering services. As the Group develops, both through organic growth and acquisitions, the service offerings are now being extended. In particular, while Sagentia has offered technology advisory services for some years, the Board believe that there is a significant opportunity to accelerate growth from these specialty consultancy areas and has increased investment to pursue this opportunity.

Therefore, the Board has reviewed the structure of the Group and with effect from 1 January 2014 its core business comprises two operating divisions:

- The *Product & Technology Development* division represents the majority of the existing business that is focussed on science, product and technology development. The division incorporates the Quadro industrial design business acquired in 2013.

- The *Technology Advisory* division provides technology advisory services to a number of market sectors (e.g. Healthcare and Energy) but also provides horizontal speciality services (e.g. Intellectual Property). The division incorporates the OTM business acquired in 2013 which will continue to focus on providing technology advisory services to the oil and gas market under the OTM brand.

Board Changes

In November 2013, after three years at Sagentia, Neil Elton, Finance Director, notified the Board of his intention to leave the Company to pursue a new challenge. Mr Elton made a significant contribution to the successful turnaround and development of the Group and the Board wish him well for the future. A charge of £123,000 is included in the income statement for the year relating to associated one-off charges, reflecting the settlement of contractual obligations by the Company.

On 27 January 2014, Rebecca Hemsted was appointed as Finance Director of Sagentia Group plc. Ms Hemsted is a Chartered Accountant and has a degree in Physics from the University of Oxford. She qualified at Deloitte where she spent six years including three years in New Zealand and was most recently Business Finance Partner for the Managed Services Business of RM plc.

Sharing in Success

As a science and technology consultancy, where Sagentia clients value and procure the Group's high levels of expertise in solving complex science, technology and engineering challenges, it is not rhetoric in stating that the Group's assets are its people. The deep scientific skill base, built up over 27 years has, over the past four years, been combined with effective business management to deliver substantial returns for Sagentia shareholders.

The Board of Sagentia remains committed to delivering shareholder value over the medium term and believes that sharing the rewards of the Group's endeavours reinforces that objective. Consistent with this philosophy, every employee of Sagentia (excluding the Chairman, Non-executive Directors, and sales staff who are incentivised by way of sales commissions) is a member of the Group bonus scheme which is primarily based on the performance of the Group as a whole, an approach that reinforces the cooperation and collaboration that is essential in solving the challenges which Sagentia confronts every day for its clients. For 2013, the average bonus payment per employee as a percentage of basic pay was 21.3% (2012: 13.7%), reflecting the strong performance in the year.

Sagentia's business is focussed on science, technology and engineering. The associated benefit to society and the economy derived from the Group's work is not insignificant. During 2013, Sagentia has worked on projects which have produced significant tangible economic benefits to clients targeting the consumer market; developed world-leading science and technology solutions for industrial clients; while in parallel working on life-changing projects in the medical field. Whilst the Board is very clear that Sagentia is a commercial organisation, it also recognises Sagentia's corporate social responsibility, although firmly believes that such activities should be aligned with shareholder objectives. As a result, in 2013, Sagentia launched a STEM (Science, Technology, Engineering and Mathematics) Bursary Programme for up to ten undergraduate students per annum at leading UK science, technology and engineering universities. These students also receive priority in undertaking paid sandwich year placements and summer experience work placements with Sagentia. This initiative follows on from the enhancements made to Sagentia's Graduate Recruitment Programme introduced in 2012, whereby Sagentia contributes towards student loan repayments for the first three years of employment to assist young graduates joining Sagentia. These tangible actions reflect Sagentia's positive contribution to education of STEM students and the alignment of its corporate social responsibility programmes with long term shareholder objectives.

Annual General Meeting

The Annual General Meeting ('AGM') will be held on 20 May 2014. In 2013 the Group paid a maiden dividend and advised that in the future, the Board anticipated recommending a single dividend being paid each year. For 2013 the Board recommends a dividend of 1.1 pence per share (2012: 1.0 pence) which, subject to shareholder approval, will be payable on 12 June 2014 to shareholders on the register at the close of business on 23 May 2014. Since the Group remains focused on growth, including investment in its current operations and exploring potential acquisition opportunities, the Board does not anticipate any material change in the level of dividends in the foreseeable future.

As in previous years, the Board will also seek approval from Shareholders at the AGM for authority to acquire up to 10% of the issued share capital of the Company so that, if deemed appropriate and in the best interests of shareholders, the Company may undertake further share purchases in the coming year. Due to the shareholding of the Chairman (32.5% at 31 December 2013), this authority will again 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.

Summary

In summary, 2013 had an exceptional start to the year, with the Group simultaneously servicing the peak phases on a number of large projects. As anticipated, the second half returned to more normal operating levels. While for the year as a whole the average currency exchange rates did not have a material effect on 2013 performance relative to 2012, an assessment of the impact of the recent volatility in currency exchange rates is provided in the Finance Director's Report. Overall, Sagentia produced another very satisfactory performance for the year, a great credit to the management team and staff who have now delivered four years of consistently strong performance, after many prior years of losses, a recovery that has been undertaken during an economically challenging period.

For a science, technology and engineering services business of Sagentia's size, the Group's operating margins are towards the upper end of its peer group, benefitting in 2013 from the one-off licence receipt. However, the Board is committed to balancing operating margin and investments in order that the Group's performance is sustained and shareholder value is enhanced over the medium term. As such, whilst the Board will remain cautious and prudent in managing the day-to-day business, it will explore and invest in growth opportunities that are anticipated to deliver medium term benefits to shareholders.

The Board continues to evaluate corporate opportunities to accelerate the growth of Sagentia. During the year, numerous potential acquisitions were evaluated and two transactions were completed. Sagentia remains active in its pursuit of such opportunities, although there can be no certainty that any transaction(s) will occur.

Martyn Ratcliffe
Chairman

Finance Director's Report

In the year ended 31 December 2013, the Group generated revenue of £30.6 million (2012: £22.3 million), a 37% increase. On an organic basis (excluding revenue derived from businesses acquired during the year), revenue increased by 27% to £28.2 million (2012: £22.3 million).

Adjusted operating profit increased by 48% to £5.7 million (2012: £3.9 million). The resulting adjusted operating margin was 18.8% (2012: 17.4%). Unadjusted operating profit increased by 66% to £5.4 million (2012: £3.2 million). Profit before tax increased by 65% to £4.9 million (2012: £3.0 million). On an organic basis, profit before tax increased by 58% to £4.7 million. (To provide a better guide to underlying business performance, adjusted operating profit excludes the amortisation of acquisition related intangible assets, share based payment charges and other exceptional items. The exceptional cost in the prior year of £0.5 million related to the resignation of the Chief Executive Officer in October 2012.)

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 2013, £13.9 million of the Group revenue was denominated in US Dollars at an average exchange rate of 1.57 (2012: £15.9 million at 1.59) and £1.3 million was denominated in Euros at an average exchange rate of 1.18 (2012: £1.9 million at 1.23). At 28 February 2014, the US Dollar exchange rate was 1.67 and the Euro rate was 1.21. If the 28 February 2014 exchange rates had prevailed throughout 2013, it is estimated that the adjusted operating profit in the year would have been lower by approximately £0.8 million.

At 31 December 2013, Sagentia had £19.4 million (2012: £23.0 million) of tax losses carried forward of which £12.6 million related to trading losses which are anticipated to be used to offset future trading profits. As at 31 December 2013, all of these carried forward trading tax losses have been recognised as a deferred tax asset in the balance sheet. This asset will reduce as the tax losses are utilised, the effect of which will be that from 2014 it is anticipated that the tax charge reported in the statutory accounts will more closely reflect the corporation tax rate with a corresponding effect on reported profit after tax and earnings per share. However, the Board anticipate that, in view of the tax losses carried forward, the Group's cash outflow related to tax will continue to be limited for the foreseeable future.

Based on the average number of shares in issue during the year, adjusted basic earnings per share ('EPS') from continuing operations increased by 40% to 13.4 pence (2012: 9.6 pence) and adjusted diluted EPS from continuing operations increased to 12.2 pence (2012: 9.1 pence). For future comparison purposes, taking into account the accounting treatment of tax losses referenced above, adjusted basic EPS, normalised at the corporation tax rate for 2013 would have been 10.9 pence and "normalised" adjusted diluted EPS would have been 9.9 pence. On a statutory basis, basic earnings per share from continuing operations increased by 57% to 12.4 pence (2012: 7.9 pence) and diluted EPS from continuing operations increased to 11.2 pence (2012: 7.5 pence).

On 8 July 2013, Sagentia acquired OTM Consulting Limited, an international technology consultancy specialising in the oil, gas and alternative energy sectors, for consideration of £6.3 million, comprising £5.3 million in cash and £1.0 million in Sagentia shares. OTM net assets at completion were £1.1 million including £1.5 million in cash. OTM contributed £2.1 million revenue and £0.2 million profit before tax to the Group in the second half of 2013. Goodwill on acquisition has been calculated at £3.5 million with acquisition intangible assets of £2.2 million represented by customer relationships.

On 14 February 2013, Sagentia acquired Quadro Design Limited, a small industrial design company. Consideration is based primarily on an earn-out agreement over three years with an initial consideration of £14,000 and a maximum contingent consideration of 180,000 shares in Sagentia. Given the early stages of investment in the business, the contribution during 2013 was immaterial.

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) and property income.

Revenue from Core Business activities increased by 45% to £28.3 million, of which £2.4 million relates to post-acquisition revenues from the acquired businesses, compared with £19.6 million in 2012. Excluding post-acquisition revenues, Core Business revenues were £26.0 million, representing a 33% annual increase. Consultancy fees, which exclude recharged material revenues, product and licence income and other non-Core revenues, increased by 44%, of which £2.4 million was derived from acquisitions. Revenue from Core Business operations includes materials used in projects recharged to customers of £2.1 million (2012: £1.5 million), and product and licence revenue of £0.5 million (2012: £0.2 million). The increase in licence revenue reflects a one-off licence of £0.4 million.

Other revenue includes property income from rental space let in the Harston Mill facility of £1.2 million (2012: £1.4 million). As Sagentia has grown, it has taken on more space in the Harston Mill site, a trend that the Board anticipates will continue in the medium term. The Harston Mill property currently has a total of 8 tenants (2012: 10 tenants). Approximately 7,400 square feet, or 18% of the total lettable area was available at the beginning of 2014 and is currently being marketed. Other revenue also includes IT Support (including materials) through Manage5Nines Limited totalling £1.1 million (2012: £1.3 million). The Board reviewed the future of this business and the decision was taken towards the end of 2013 to wind down the operations of Manage5Nines Limited. The results for 2013 include a provision of £0.2 million related to the costs of this action. As management do not consider this to be a major line of business for the Group, under IFRS 5, the results of the business have not been disclosed as a discontinued operation.

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 loan replaces the previous facility which was due to expire in October 2015 and on which there was an outstanding balance of £5.8 million. The new loan was used to pay down the outstanding balance on the previous loan. 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%, a reduction on the fixed rate of 4.7% in place on the previous loan. The Group has cancelled the previous interest rate swap at a one-off cost of £0.2 million, the charge for which has been recognised in 2013. The Group has adopted hedge accounting under IAS 39 and the £41,000 loss on the interest rate hedge as at 31 December 2013 has been recognised in reserves (2012: nil).

The Group has a strong balance sheet with Shareholders' Funds at 31 December 2013 of £31.1 million, equivalent to 80.6 pence per share (2012: Shareholders' Funds of £25.3 million equivalent to 68.9 pence per share) including the Group's freehold property in Harston. The gross cash position at 31 December 2013 was £22.4 million, (2012: £19.2 million) and net funds were £12.6 million (2012: £12.9 million), after net acquisition consideration payments of £3.8 million. It should be noted that, as in previous years, the year-end cash position is enhanced by seasonal factors, particularly management/employee bonus payments accrued in 2013 and payable in March 2014. Net cash generated from operating activities was £3.9 million (2012: £3.7 million). Debtor days were 48 days (2012: 31 days) and combined debtor and WIP days were 21 (2012:11).

The freehold property at Harston was valued in July 2010 by Savills for Lloyds. As part of the refinancing, in August 2013, the freehold property was again valued by Savills. Under the assumptions used, including tenant covenant strength and market rents, the latest indicative valuation range for the building was between £12.9 million (2010: £11.9 million) based on occupational tenancies, and £18.0 million (2010: not less than £14.0 million) under a sale and leaseback scenario. The Board has not adjusted the carrying value of the property on the balance sheet.

Rebecca Hemsted
Finance Director

Consolidated Income Statement
For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Revenue	2	**30,596**	22,268
Operating expenses		**(24,852)**	(18,383)
Adjusted operating profit		**5,744**	3,885
Amortisation of acquisition related intangible assets		**(109)**	-
Share based payment charge		**(283)**	(155)
Other exceptional cost		**-**	(500)
Operating profit	2	**5,352**	3,230
Finance costs		**(467)**	(319)
Finance income		**54**	87
Profit before income tax		**4,939**	2,998
Income tax	3	**(306)**	126
Profit for the year		**4,633**	3,124
Profit for the year attributable to equity holders of the parent		**4,633**	3,124
Earnings per share			
Earnings per share from continuing operations (basic)	5	**12.4p**	7.9p
Earnings per share from continuing operations (diluted)	5	**11.2p**	7.5p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	2013 £000	2012 £000
Profit for the year	**4,633**	3,124
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)**	-
Exchange differences on translating foreign operations	**(27)**	(36)
Other comprehensive expense for the year	**(68)**	(36)
Total comprehensive income for the year	**4,565**	3,088
Total comprehensive income for the year attributable to owners of the parent	**4,565**	3,088

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2013

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

Consolidated Balance Sheet
At 31 December 2013

	Note	2013 £000	2012 £000
Assets			
Non-current assets			
Goodwill		**2,058**	-
Acquisition related intangible assets		**3,577**	-
Property, plant and equipment		**14,482**	14,302
Investments		**-**	-
Deferred income tax assets	4	**2,634**	3,323
		22,751	17,625
Current assets			
Trade and other receivables	7	**5,272**	3,027
Cash and cash equivalents		**22,428**	19,179
		27,700	22,206
Total assets		**50,451**	39,831
Liabilities			
Current liabilities			
Trade and other payables	8	**7,105**	6,096
Current income tax liabilities	8	**155**	32
Borrowings	8	**1,020**	821
		8,280	6,949
Non-current liabilities			
Borrowings	9	**8,778**	5,411
Other payables	9	**112**	-
Derivative financial liabilities	9	**41**	-
Deferred income tax liabilities	4	**2,172**	2,220
		11,103	7,631
Total liabilities		**19,383**	14,580
Net assets		**31,068**	25,251
Shareholders' equity			
Share capital	10	**420**	420
Share premium		**7,775**	7,581
Treasury stock		**(2,937)**	(4,451)
Merger reserve		**10,343**	10,343
Translation reserve		**195**	222
Share based payment reserve		**1,476**	1,193
Retained earnings		**13,796**	9,943
Total equity		**31,068**	25,251

Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	2013 £000	2012 £000
Profit before income tax	**4,939**	2,998
Depreciation and amortisation charges	**441**	236
Share based payment charge	**283**	155
(Increase) / decrease in receivables	**(1,321)**	300
Increase / (decrease) in payables	**(120)**	318
Cash generated from operations	**4,222**	4,007
UK corporation tax paid	**(339)**	(264)
Foreign corporation tax received / (paid)	**46**	(61)
Cash flows from operating activities	**3,929**	3,682
Purchase of property, plant and equipment	**(419)**	(417)
Purchase of subsidiary undertaking, net of cash received	**(3,770)**	-
Cash flows used in investing activities	**(4,189)**	(417)
Issue of ordinary share capital	**-**	45
Issue of shares out of treasury	**376**	1
Repurchase of own shares	**-**	(4,458)
Dividends paid	**(366)**	-
Proceeds from bank loans	**10,000**	-
Repayment of bank loans	**(6,450)**	(800)
Proceeds from other loan	**10**	-
Repayment of other loan	**(28)**	(35)
Cash flows from / (used in) financing activities	**3,542**	(5,247)
Increase / (decrease) in cash and cash equivalents in the year	**3,282**	(1,982)
Cash and cash equivalents at the beginning of the year	**19,179**	21,198
Exchange gains / (losses) on cash	**(33)**	(37)
Cash and cash equivalents at the end of the year	**22,428**	19,179

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 2013, was 142.0 pence per share (31 December 2012: 91.5 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 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 payments			(283)
Operating profit			**5,352**
Finance charges (net)			(413)
Profit before income tax			**4,939**
Tax charge			(306)
Profit for the year from continuing operations			**4,633**

Year ended 31 December 2012	**Core Business £000**	**Other £000**	**Total £000**
Fees	17,930	-	17,930
IT Support	-	796	796
Property income	-	1,363	1,363
Recharged project expenses	1,499	510	2,009
Product and licence income	170	-	170
Revenue	**19,599**	**2,669**	**22,268**
Adjusted operating profit	**3,661**	**224**	**3,885**
Share based payments			(155)
Other exceptional cost			(500)
Operating profit			**3,230**
Finance charges (net)			(232)
Profit before income tax			**2,998**
Tax charge			126
Profit for the year from continuing operations			**3,124**

2 Segment information (continued)

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

	2013		2012	
	Revenue £000	**Non-current assets £000**	Revenue £000	Non-current assets £000
United Kingdom	**7,430**	**20,110**	8,306	14,291
Other European countries	**3,424**	**-**	3,038	-
North America	**19,111**	**7**	10,924	11
Other	**631**	**-**	-	-
Total	**30,596**	**20,117**	22,268	14,302

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 2013, £3.8 million or 12% (2012: £2.2 million; 10%) 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	**2013 £000**	2012 £000
Foreign taxation	**-**	1
Current taxation	**(175)**	(178)
Deferred taxation (Note 4)	**(131)**	303
	(306)	126

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:

	2013 £000	2012 £000
Profit before tax	**4,939**	2,998
Tax calculated at domestic tax rates applicable to profits / (losses) in the respective countries	**(1,149)**	(734)
Expenses not deductible for tax purposes	**(125)**	(96)
Fixed asset differences	**(43)**	(42)
Income not subject to tax	**-**	7
Accelerated capital allowances	**88**	6
Adjustment in respect of prior periods	**48**	7
Other temporary differences	**-**	5
Movement in deferred tax due to change in tax rate	**(144)**	(71)
Utilisation of tax losses	**1,019**	1,044
Tax (charge) / credit	**(306)**	126

The weighted average statutory applicable tax rate was 23.3% (2012: 24.5%).

The Group has available tax losses of approximately £19.4 million (2012: £23.0 million).

4 Deferred income tax

	2013 £000	2012 £000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	**1,767**	2,831
Deferred tax asset to be recovered within 12 months	**867**	492
	2,634	3,323
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	**(2,172)**	(2,220)
	(2,172)	(2,220)
Total	**462**	1,103

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

	2013 £000	2012 £000
Beginning of the year	**1,103**	800
Acquisition of subsidiaries in the year	**(510)**	-
Income statement credit (Note 3)	**(131)**	303
End of year	**462**	1,103

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 2012	**(2,437)**	**3,237**	**800**
Charged to the income statement	217	86	303
At 31 December 2012	**(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**

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

Group	**Provided**		**Not provided**	
Deferred taxation is attributable to:	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Accelerated capital allowances	**(2,007)**	(2,220)	**-**	-
Tax losses available	**2,634**	3,015	**1,299**	1,729
Acquisition related intangible assets	**(432)**	-	**-**	-
Other temporary differences	**267**	308	**-**	-
Deferred tax asset	**462**	1,103	**1,299**	1,729
Tax losses relating to deferred tax asset not recognised	**-**	**-**	**6,857**	7,521

5 Earnings per share

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

	2013			2012		
	Profit after tax £000	**Weighted average number of shares '000**	**Pence per share**	Profit After tax £000	Weighted average number of shares '000	Pence per share
Basic earnings per ordinary share	**4,633**	**37,424,309**	**12.4p**	3,124	39,567,939	7.9p
Effect of dilutive potential ordinary shares: share options	**-**	**3,910,418**	**(1.2)p**	-	2,124,631	(0.4)p
Diluted earnings per ordinary share	**4,633**	**41,334,727**	**11.2p**	3,124	41,692,570	7.5p
Effect of adjustments*	**392**	**-**	**1.0p**	655	-	1.6p
Adjusted diluted earnings per ordinary share*	**5,025**	**41,334,727**	**12.2p**	3,779	41,692,570	9.1p

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

Adjusted basic earnings per share for continuing operations in 2013 were 13.4 pence (2012: 9.6 pence).

Only the share options granted are dilutive. The number of shares in issue (excluding treasury shares) at 31 December 2013 is 38,538,230 (2012: 36,665,591).

6 Dividends

The proposed final dividend for 2012 of 1.0p per share was approved by the Board on 15 May 2013. An amount of £0.4 million was recognised as a distribution to equity holders in the year ended 31 December 2013.

The Board has proposed a final dividend for 2013 of 1.1p per share. The dividend is subject to approval by shareholders at the annual general meeting and the expected cost of £0.4 million has not been included as a liability as at 31 December 2013.

7 Trade and other receivables

	2013 £000	2012 £000
Current assets:		
Trade receivables	**3,625**	2,509
Provision for impairment	**(81)**	(121)
Trade receivables – net	**3,544**	2,388
Amounts recoverable on contracts	**1,211**	291
Other receivables	**9**	10
Prepayments	**508**	338
	5,272	3,027

8 Current liabilities

	2013 £000	2012 £000
Trade and other payables - current		
Payments received on account	**2,025**	1,811
Trade payables	**342**	63
Other taxation and social security	**351**	518
VAT	**12**	132
Deferred income	**896**	940
Accruals	**3,479**	2,632
	7,105	6,096
Bank borrowings	**1,000**	800
Other borrowings	**20**	21
Current tax liabilities	**155**	32
	8,280	6,949

9 Other non-current liabilities

	2013 £000	2012 £000
Bank borrowings	**8,750**	5,400
Other borrowings	**28**	11
	8,778	5,411
Other payables	**112**	-
Interest rate swap	**41**	-
Deferred income tax liabilities	**2,172**	2,220
	11,103	7,631

10 Called-up share capital

	2013 £000	2012 £000
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	**420**	420
	Number	Number
Allotted, called-up and fully paid		
Ordinary shares of £0.01 each	42,042,035	42,042,035

The allotted, called-up and fully paid share capital of the Company as at 31 December 2013 was 42,042,035 shares (2012: 42,042,035). At the beginning of 2013, 5,376,444 of these shares were held by the Company as treasury shares following the buyback of shares during 2012.

During 2013 the Company issued 928,500 treasury shares in the settlement of the exercise of share options and 944,139 treasury shares as part consideration of the acquisition of OTM Consulting Limited. As a result, as at 31 December 2013, the total number of ordinary shares in issue (excluding treasury shares) was 38,538,230 (2012: 36,665,591) and the number of treasury shares held was 3,503,805 (2012: 5,376,444) equivalent to 9.1% of the Company's issued share capital. It is the intention of the Company to hold the treasury shares for the purpose of settling employee share schemes and in consideration for any future business acquisitions. No dividend or other distribution may be made to the Company in respect of the treasury shares.

11 Borrowings

Group	2013 £000	2012 £000
Non-current		
Bank borrowings	**8,750**	5,400
Other borrowings	**28**	11
	8,778	5,411
Current		
Bank borrowings	**1,000**	800
Other borrowings	**20**	21
	1,020	821
Total borrowings	**9,798**	6,232

In September 2013, the Group arranged a new five year loan 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. This loan replaced the previous facility which was due to expire in October 2015 and on which there was an outstanding balance of £5.8 million. The new loan was used to pay down the outstanding balance on the previous loan.

At 31 December 2013, £9,750,000 (2012: £6,200,000) is outstanding and is repayable by Sagentia Ltd to Lloyds TSB Bank plc.

In order to address interest rate risk an interest rate swap agreement ('SWAP') was taken out in September 2013, the effect of which is to fully hedge the interest payments on the bank facility borrowings. The SWAP is designated as the variable rate interest payable on the repayment loan facility of £10.0 million provided by Lloyds TSB Bank plc. The SWAP is contracted over the same period of the loan at a fixed rate of 1.89%pa, effectively fixing the Group's interest payments on the repayment loan facility at 3.89%pa, plus regulatory costs. The fair value of the SWAP at 31 December 2013 was a liability of £41,000. The Group has applied hedge accounting and this charge has been reflected in the Statement of Comprehensive Income. The Group cancelled an interest rate swap instrument hedged against the previous loan at a one-off cost of £166,000. This charge has been recognised in profit and loss in 2013.

12 Acquisition of subsidiary

(a) OTM Consulting Limited

On 8 July 2013, the Group acquired 100% of the share capital of OTM Consulting Limited and its wholly owned subsidiary OTM Consulting Inc. (together 'OTM'), an international technology management consultancy specialising in the oil, gas and alternative energy sectors. The acquisition is expected to enable Sagentia to accelerate its development in this identified growth and investment area.

The consideration paid comprised cash of £5.3 million and consideration in the form of 944,139 shares in Sagentia Group plc, issued at acquisition but over which there is a lock-in period of 36 months after the acquisition date. The fair value of the share consideration is £1.0 million which has been calculated by discounting the share price on the date of issue in line with the restrictions on the trade of these shares. At completion OTM held £1.5 million of cash on its balance sheet. Acquisition expenses of £32,000 were expensed in the year.

	Book value £000	Fair value £000
Net assets acquired:		
Acquisition related intangible assets	-	2,157
Property, plant and equipment	85	85
Trade and other receivables	912	912
Cash and cash equivalents	1,522	1,522
Trade and other payables	(1,097)	(1,097)
Current tax liability	(234)	(234)
Borrowings	(34)	(34)
Deferred tax liability	(14)	(510)
	1,140	2,801
Goodwill		3,458
Total consideration		6,259
Satisfied by:		
Cash consideration		5,300
Shares in Sagentia Group plc		959
		6,259

Net cash outflow arising on acquisition:	
Cash consideration	3,778

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the businesses. Fair value adjustments have been recognised for acquisition related intangible assets and related deferred tax and in alignment of accounting policies.

Acquisition related intangible assets of £2.2 million relate solely to the valuation of customer relationships. OTM has worked with a number of blue-chip companies, including most oil majors and many national oil companies, for a number of years. Given the long standing relationships and nature of the customer base the intangible asset is being amortised over eleven years.

A deferred tax liability of £0.5 million in respect of the acquisition related intangible assets was established on acquisition (refer to note 4). None of the goodwill is expected to be deductible for income tax purposes.

OTM contributed £2.1 million revenue for the period between the date of acquisition and the balance sheet date and £0.2 million to the Group's profit before tax. If the acquisition of OTM had been completed on the first day of the financial year, Group revenues would have been £1.5 million higher and group profit attributable to equity holders of the parent would have been £0.1 million lower.

12 Acquisition of subsidiary (continued)

(b) Quadro Design Limited

On 14 February 2013, the Group acquired 100% of the share capital of Quadro Design Limited, a small industrial design company, in order to enhance the offerings of the group.

The consideration paid comprised a cash consideration of £14,000 and a maximum contingent consideration of 180,000 shares in Sagentia Group plc, payable in annual instalments based on the performance of the company over a 3 year earn-out period.

	Book value £000	Fair value £000
Net assets acquired:		
Acquisition related intangible assets	-	10
Property, plant and equipment	2	2
Trade and other receivables	10	10
Cash and cash equivalents	22	22
Trade and other payables	(8)	(8)
Current tax liability	(36)	(36)
Borrowings	(1)	(1)
	(11)	(1)
Goodwill		119
Total consideration		118
Satisfied by:		
Initial cash consideration		14
Contingent consideration		104
		118

Net cash outflow/(inflow) arising on acquisition:	
Cash consideration	(8)

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the businesses. Fair value adjustments have been recognised for acquisition related intangible assets which relate to the valuation of customer relationships and are being amortised over five years.

None of the goodwill is expected to be deductible for income tax purposes.

Quadro contributed £303,000 revenue for the period between the date of acquisition and the balance sheet date and £1,000 to the Group's profit before tax. If the acquisition of Quadro had been completed on the first day of the financial year, Group revenues and profit attributable to equity holders of the parent would not have differed materially.

13 Statement by the directors

The preliminary results for the year ended 31 December 2013 and the results for the year ended 31 December 2012 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 2013.

The financial information set out above, which was approved by the Board on 4 March 2014, is derived from the full Group accounts for the year ended 31 December 2013 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 2013, will be delivered to the Registrar of Companies in due course.

The Board of Sagentia approved the release of this audited preliminary announcement on 4 March 2014.

The Annual Report for the year ended 31 December 2013 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 -