SAGENTIA

24 July 2013

SAGENTIA GROUP PLC

("Sagentia" or the "Group")

INTERIM RESULTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2013

Sagentia Group plc (AIM:SAG) is an international company providing science and technology consultancy services and product development for the consumer, energy, industrial and medical markets.

Summary:

- Excellent operating performance with strong organic growth in revenue and profit
- Performance materially ahead of the Board's plan year-to-date. Full year outcome anticipated to be ahead of the Board's expectations
- Revenue growth of 36% to £14.5 million (H1 2012: £10.7 million)
- PBT increased by 49% to £2.7 million (H1 2012: £1.8 million)
- Basic EPS growth of 54% to 7.1 pence (H1 2012: 4.6 pence)
- Cash balance increased to £20.5 million (30 June 2012: £18.9 million) and net funds of £14.7 million (30 June 2012: £12.3 m), after share buy-back cost of £2.1 million in H2 2012 and payment of maiden dividend in June 2013 of £0.4 million
- Acquisition of OTM Consulting Limited completed in July 2013
- Settlement of licence royalty dispute in July (after period end) with Sagentia receiving one-off payment of US$650,000

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Interim Results 2013

Sagentia Group plc is an international company providing science and technology consultancy services and product development for the consumer, energy, industrial and medical markets.

Following on from the recovery in the second half of 2012, Sagentia reports a very strong operating performance for the six months ended 30 June 2013, with significant organic growth in revenue, profitability and earnings per share. As a project based consultancy, the Board remains cautious in its outlook but anticipates that the full year performance will be ahead of its previous expectations.

Group Financial Performance

For the six months ended 30 June 2013, the Group generated operating profit of £2.9 million, a 43% increase on the same period last year (H1 2012: £2.0 million) on revenue of £14.5 million, an increase of 36% (H1 2012: £10.7 million). Profit before tax ("PBT") was £2.7 million, an increase of 49% on the prior year (H1 2012: £1.8 million).

Consulting fees from Core operations increased by 43% to £12.3 million (H1 2012: £8.6 million). Other Core revenues of £1.1 million, which comprise primarily recharged project material revenues, correlating with the increased project activity, and modest product and licence income, increased compared to H1 2012 (£0.7 million). Other (non-Core) revenues, including IT support revenue from M5N and property income from sub-let space in the Harston Mill facility, declined as anticipated, as vacant space is either being marketed or used by the Core consultancy business in line with the growth of the Core business. Foreign exchange movements benefitted revenue and PBT by approximately £0.2 million compared to the same period in 2012.

In the period to 30 June 2013, approximately 50% of the Group's Core revenue was derived from the Medical Sector (H1 2012: 59%) and 50% from the Commercial Sector (H1 2012: 41%). North America, the Group's largest international market contributed 69% of Group Core revenue (H1 2012: 63%). The top five clients accounted for approximately 47% and the top ten clients for approximately 71% of the Core revenues (H1 2012: 40% and 65% respectively).

Basic earnings per share increased by 54% to 7.1 pence (H1 2012: 4.6 pence), and diluted earnings per share in H1 2013 increased by 53% to 6.6 pence (H1 2012: 4.3 pence), benefitting from the strong operating performance and the share buy-back undertaken in 2012.

The Group has a robust balance sheet with Shareholder Funds at 30 June 2013 of £27.7 million (30 June 2012: £26.0 million), including net cash and freehold property of £28.4 million. The resulting net asset value per share increased by 12% to 75.1 pence per share (30 June 2012: 66.9 pence per share). Cash increased to £20.5 million (30 June 2012: £18.9 million). The main components to the cash movements over the past 12 months include operating cash flow of £5.3 million; less funds utilised in the share buyback (£2.1 million in H2 2012); bank loan repayments of £0.8 million; and payment of the maiden dividend (£0.4 million). Net funds at 30 June 2013 were £14.7 million (30 June 2012: £12.3 million). The Group has substantial tax losses carried forward.

Corporate Development

On 9 July 2013, Sagentia announced the acquisition of OTM Consulting Limited ("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 Group also acquired QDA Limited ("Quadro") on 14 February 2013. Quadro is a small industrial design company, enhancing the offerings of the Group. The integration of Quadro has been successful and revenues, while modest in the context of the Group, are now growing.

The Board continues to invest in the organic development of the Group in terms of sector extension, primarily within the targeted oil and gas sector where the OTM acquisition will now accelerate opportunities; in growing the sales organisation; and in extending the Group's geographical customer base. In addition, the modular instrument development continues and a significant investment in laboratory facilities has been made.

As consistently reported, Sagentia is fortunate in having a substantial freehold property in Harston, near Cambridge. In 2010, the Board replaced its previous bank facilities, secured on all the assets of the Group and subject to various bank covenants, with an £8 million term loan facility, secured solely on the freehold property with no operating covenants subject to the Group maintaining a minimum cash balance of £2 million and other bank-related requirements. At 30 June 2013, the outstanding balance was £5.8 million at an effective interest rate of 4.71%, fixed by way of an interest rate swap. The loan and swap arrangements are due to expire in October 2015. With a strategy that includes evaluating potential acquisitions and with the current low interest rate environment, enhanced by the Group's strong performance over the past three years, the Board is exploring replacing the current facility with a new loan facility of up to £10 million which would extend to late 2018, at a lower interest rate than the current facility. While there may be some one-off costs in terminating the existing facilities, having received proposals from major banks, the Board consider this may be an attractive option and are evaluating the proposals.

Licence Royalty Settlement

As referred to in the 2012 Annual Report Sagentia was in dispute with a third party over non-payment of royalties under a licence agreement entered into in November 2007.

This matter was settled in July 2013 and Sagentia has now received a one-off royalty payment of US$650,000 for the exclusive licence to use the Sagentia technology in water metering applications. This one-off licence payment will be reported within Core Revenues in the second half of the year. There will be no future payments related to this licence.

Prospects

The operating performance of the Group in the first half of the year has been exceptionally strong, driven by a number of large projects. Some of these projects have now come to completion and, while the sales pipeline remains satisfactory, as a project based consultancy, the customer profile can create revenue variability. As such, the Board remains cautious and retains a prudent perspective for the second half. Nevertheless, after such a strong start to 2013 and with the one-off benefit of the Royalty Settlement, the Board anticipates the results for the year to exceed its previous expectations.

The acquisition of OTM accelerates the Group's development in the energy market and is an excellent strategic fit with Sagentia. With a robust balance sheet and strong profitability, the Board will continue to evaluate acquisition opportunities to accelerate the growth of the Group.

The Board considers that the reported operating margin level is towards the top-end of comparable companies in the industry and balancing investment and profitability is in the best interests of shareholders in the medium term. The Board is therefore continuing its investment programme in the organic opportunities for the Group.

In summary, Sagentia has had an excellent start to 2013. The opportunities for Sagentia and its staff are exciting and challenging. While the Board recognise that there were some exceptional characteristics which benefited the Group in the first half of 2013, this strong performance provides a solid platform for the rest of the year.

Consolidated Income Statement

For the period ended 30 June 2013

	Notes	**Six months ended 30 June 2013 (Unaudited) £000**	Six months ended 30 June 2012 (Unaudited) £000	Year ended 31 December 2012 (Audited) £000
Revenue		**14,492**	10,651	22,268
Operating expenses		**(11,570)**	(8,602)	(18,883)
Operating profit	**4**	**2,922**	2,049	3,385
Share based payment charge		**(110)**	(123)	(155)
Profit before finance charges and tax	**4**	**2,812**	1,926	3,230
Finance costs		**(142)**	(162)	(319)
Finance income		**34**	45	87
Profit before income tax		**2,704**	1,809	2,998
Income tax (charge) / credit		**(91)**	72	126
Profit for the period from continuing operations	**4**	**2,613**	1,881	3,124
Profit for the period attributable to equity holders of the parent		**2,613**	1,881	3,124
Earnings per share				
Earnings per share (basic)	**5**	**7.1p**	4.6p	7.9p
Earnings per share (diluted)	**5**	**6.6p**	4.3p	7.5p

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2013

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Year ended 31 December 2012 (Audited)
	£000	£000	£000
Profit for the period	**2,613**	1,881	3,124
Other comprehensive income:			
Exchange differences on translating foreign operations	**22**	(18)	(36)
Other comprehensive income for the period, net of tax	**22**	(18)	(36)
Total comprehensive income for the period	**2,635**	1,863	3,088
Total comprehensive income for the period attributable to owners of the parent	**2,635**	1,863	3,088

Consolidated Statement of Changes in Shareholders' Equity
For the period ended 30 June 2013

Group	Issued capital	Share premium	Treasury Stock	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	**418**	**7,538**	-	**10,343**	**258**	**1,038**	**6,825**	**26,420**
Purchase of own shares	-	-	(2,374)	-	-	-	-	**(2,374)**
New shares issued	1	12	-	-	-	-	-	**13**
Share based payment charge	-	-	-	-	-	123	-	**123**
Transactions with owners	**1**	**12**	**(2,374)**	**-**	**-**	**123**	**-**	**(2,238)**
Profit for the period	-	-	-	-	-	-	1,881	**1,881**
Other comprehensive income:								
Exchange differences on translating foreign operations	**-**	**-**	-	**-**	(18)	**-**	**-**	**(18)**
Total comprehensive income for the period	**-**	**-**	-	**-**	**(18)**	**-**	**1,881**	**1,863**
Balance at 30 June 2012	**419**	**7,550**	**(2,374)**	**10,343**	**240**	**1,161**	**8,706**	**26,045**
Balance at 1 July 2012	**419**	**7,550**	**(2,374)**	**10,343**	**240**	**1,161**	**8,706**	**26,045**
Purchase of own shares	-	-	(2,084)	-	-	-	-	**(2,084)**
New shares issued	1	31	-	-	-	-	-	**32**
Share based payment charge	-	-	-	-	-	32	-	**32**
Issue of shares out of treasury stock	-	-	7	-	-	-	(6)	**1**
Transactions with owners	**1**	**31**	**(2,077)**	**-**	**-**	**32**	**(6)**	**(2,019)**
Profit for the period	-	-	-	-	-	-	1,243	**1,243**
Other comprehensive income:								
Exchange differences on translating foreign operations	**-**	**-**	**-**	**-**	(18	-	**-**	**(18)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(18**	**-**	**1,243**	**1,225**
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**
Share based payment charge	-	-	-	-	-	110	-	**110**
Issue of shares out of treasury stock	-	-	122	-	-	-	(98)	**24**
Dividends paid	-	-	-	-	-	-	(366)	**(366)**
Transactions with owners	**-**	**-**	**122**	**-**	**-**	**110**	**(464)**	**(232)**
Profit for the period	-	-	-	-	-	-	2,613	**2,613**
Other comprehensive income:								
Exchange differences on translating foreign operations	**-**	**-**	**-**	**-**	22	**-**	**-**	**22**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**22**	**-**	**2,613**	**2,635**
Balance at 30 June 2013	**420**	**7,581**	**(4,329)**	**10,343**	**244**	**1,303**	**12,092**	**27,654**

Consolidated Balance Sheet
At 30 June 2013

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Year ended 31 December 2012 (Audited)
	£000	£000	£000
Assets			
Non-current assets			
Intangible assets	**10**	-	-
Goodwill	**119**	-	-
Property, plant and equipment	**14,335**	14,145	14,302
Deferred income tax assets	**3,312**	3,360	3,323
	17,776	17,505	17,625
Current assets			
Trade and other receivables	**3,741**	2,759	3,027
Cash and cash equivalents	**20,516**	18,905	19,179
	24,257	21,664	22,206
Total assets	**42,033**	39,169	39,831
Liabilities			
Current liabilities			
Trade and other payables	**6,186**	3,852	6,096
Current income tax liabilities	**44**	186	32
Other borrowings	**813**	831	821
	7,043	4,869	6,949
Non-current liabilities			
Borrowings	**5,004**	5,818	5,411
Other liabilities	**112**	-	-
Deferred income tax liabilities	**2,220**	2,437	2,220
	7,336	8,255	7,631
Total liabilities	**14,379**	13,124	14,580
Net assets	**27,654**	26,045	25,251
Shareholders' equity			
Share capital	**420**	419	420
Share premium	**7,581**	7,550	7,581
Treasury stock	**(4,329)**	(2,374)	(4,451)
Merger reserve	**10,343**	10,343	10,343
Translation reserves	**244**	240	222
Share based payment reserve	**1,303**	1,161	1,193
Retained earnings	**12,092**	8,706	9,943
Total equity	**27,654**	26,045	25,251

Consolidated Statement of Cash Flows
For the period ended 30 June 2013

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Year ended 31 December 2012 (Audited)
	£000	£000	£000
Profit before income tax	**2,704**	1,809	2,998
Depreciation and amortisation charges	**143**	115	236
Share based payment charge	**110**	123	155
(Increase) / decrease receivables	**(714)**	117	300
Increase / (decrease) in payables	**90**	(1,475)	318
Cash generated from operations	**2,333**	689	4,007
UK corporation tax (paid) (net)	**(71)**	(38)	(264)
Foreign corporation tax received / (paid) (net)	**3**	(7)	(61)
Cash flows from operating activities	**2,265**	644	3,682
Purchase of property, plant and equipment	**(174)**	(132)	(417)
Purchase of subsidiary undertaking	**(14)**	-	-
Cash flow from investing activities	**(188)**	(132)	(417)
Issue of ordinary share capital	**-**	13	45
Issue of shares out of treasury	**24**	-	1
Repurchase of own shares	**-**	(2,374)	(4,458)
Dividends paid	**(366)**	-	-
Repayment of loans	**(400)**	(400)	(800)
Repayment of other loans	**(15)**	(18)	(35)
Cash flows from financing activities	**(757)**	(2,779)	(5,247)
Increase / (decrease) in cash and cash equivalents in the period	**1,320**	(2,267)	(1,982)
Cash and cash equivalents at the beginning of the period	**19,179**	21,198	21,198
Exchange profit (loss) on cash	**17**	(26)	(37)
Cash and cash equivalents at the end of the period	**20,516**	18,905	19,179

Extracts from notes to the financial statements

1. General information

The financial information for the 6 months ended 30 June 2013 set out in this interim report is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information included has been extracted from the 2012 Financial Statements of Sagentia Group plc. The Group's statutory financial statements for the year ended 31 December 2012 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

These un-audited interim results have been approved for issue by the Board of Directors on 23 July 2013.

The group and company financial statements of Sagentia Group plc for the year ended 31 December 2012 were prepared under IFRS and have been audited by Grant Thornton UK LLP. Copies of the Financial Statements are available from the company's registered office; Harston Mill, Harston, Cambridge, CB22 7GG and can be found on the company's website at www.sagentia.com.

Sagentia Group plc ('Sagentia' or 'Company') and its subsidiaries (together 'Sagentia' or 'Group') is a technology consulting organisation. Sagentia creates, develops and delivers business opportunities, products and services for its clients in the consumer, energy, industrial and medical markets. Sagentia's facilities include offices and laboratories located in Cambridge and Guildford in the UK, in Boston and Houston in the USA, and in Dubai.

The Company is the ultimate parent company in which results of all the Sagentia companies are consolidated.

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

2. Accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are unchanged from those set out in the financial statements for the year-ended 31 December 2012. These policies have been consistently applied to all the periods presented.

2.1 Basis of preparation

These interim consolidated financial statements are for the six months ended 30 June 2013. They have been prepared based on the measurement and recognition principles of International Financial Reporting Standards (IFRS) and IFRC interpretations issued and effective at the time of preparing these statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets at fair value, as required by IAS39 Financial Instruments: Recognition and Measure.

3. Financial risk management

3.1 Financial risk factors

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

4. Segmental 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 operating profit. Other resources are shared across the Group.

Period ended 30 June 2013 (Unaudited)	**Core**	**Other**	**Total**
	£000	**£000**	**£000**
Consulting revenue	12,266	-	12,266
IT support	-	335	335
Property income	-	581	581
Recharged project materials	1,097	207	1,304
Product and licence income	6	-	6
Revenue	**13,369**	**1,123**	**14,492**
Operating profit	**2,952**	**(30)**	**2,922**
Share based payments			(110)
Profit before finance charges and tax			**2,812**
Net finance charges			(108)
Profit before income tax			**2,704**
Tax charge			(91)
Profit for the period from continuing operations			**2,613**

Period ended 30 June 2012 (Unaudited)	**Core**	**Other**	**Total**
	£000	**£000**	**£000**
Consulting revenue	8,561	-	8,561
IT support	-	402	402
Property income	-	682	682
Recharged project materials	550	278	828
Product and licence income	178	-	178
Revenue	**9,289**	**1,362**	**10,651**
Operating profit	**1,913**	**136**	**2,049**
Share based payments			(123)
Profit before finance charges and tax			**1,926**
Net finance charges			(117)
Profit before income tax			**1,809**
Tax income			72
Profit for the period from continuing operations			**1,881**

Year ended 31 December 2012 (Audited)	**Core**	**Other**	**Total**
	£000	**£000**	**£000**
Consulting revenue	17,930	-	17,930
IT support	-	796	796
Property income	-	1,363	1,363
Recharged project materials	1,499	510	2,009
Product and licence income	170	-	170
Revenue	**19,599**	**2,669**	**22,268**
Operating profit	**3,285**	**100**	**3,385**
Share based payments			(155)
Profit before finance charges and tax			**3,230**
Net finance charges			(232)
Profit before income tax			**2,998**
Tax income			126
Profit for the period from continuing operations			**3,124**

5. Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)	Year ended 31 December 2012 (Audited)
	£000	£000	£000
Profit for the financial period from continuing operations	**2,613**	1,881	3,124
Weighted average number of shares:	**Number**	Number	Number
For basic earnings per share	**36,692,789**	40,934,955	39,567,939
For fully diluted earnings per share	**39,699,396**	43,942,016	41,692,570

6. 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. Because these are estimates the resulting accounting entries will not always reflect the 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) 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.

(b) Accounting for freehold property at Harston Mill

Sagentia owns and maintains the freehold property at Harston Mill for use in the supply of its Core consultancy services and for administrative purposes. Whilst there is remaining space on site not required to fulfil these activities Sagentia lets out space to third party tenants. The revenues and costs attributable to this activity are disclosed as ‘Other’ activities within the business segment disclosures. Given the property does not form part of the Group’s core activities, it is not accounted for as an investment property, the reasons being;

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

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

- Ends -