

SAGENTIA

24 July 2014

SAGENTIA GROUP PLC

("Sagentia" or the "Group")

INTERIM RESULTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2014

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

Summary:

- Satisfactory operating performance despite significant FX impact
- Strong operating margins maintained due to tight cost control
- Cash balance of £22.8 million at 30 June 2014 (30 June 2013: £20.5 million) and net funds of £13.5 million (30 June 2013: £14.7 million)

Enquiries:

Sagentia Group plc

Martyn Ratcliffe, Chairman

Tel: +44 (0) 1223 875 200

Rebecca Hemsted, Finance Director

www.sagentia.com

Numis Securities Limited

Nominated Adviser: Oliver Cardigan / Simon Willis

Tel: +44 (0) 20 7260 1000

Corporate Broking: James Serjeant

Media enquiries:

Abchurch

Henry Harrison-Topham / Jamie Hooper

Tel: +44 (0) 20 7398 7702

henry.ht@abchurch-group.com

www.abchurch-group.com

Interim Results 2014

Sagentia Group plc (including its subsidiaries) is an international group providing science and technology consultancy services and product development for the consumer, energy, industrial and medical markets.

As an international Group with 79% (H1 2013: 82%) of Core Business revenue derived from overseas markets, particularly USA, but a cost base predominantly located in the UK, Sagentia provides an attractive export services model for the UK economy. However, as a result, and as highlighted in the 2013 Annual Report, financial results are correspondingly subject to foreign exchange volatility and with Sterling at a five year high relative to the US dollar, 2014 has been, and will continue to be, affected by this material external factor. While there are a number of other variances from 2013 related to matters previously reported in announcements last year, the effect of currency exchange rates has been most pronounced. In comparing financial performance, in addition to statutory results, the Board has therefore decided to provide clarification regarding the underlying operating performance normalised for these factors.

On a statutory basis, revenue, profit and margin all declined. However, on a normalised basis, adjusted operating profit and operating margins actually increased in the first half of 2014 relative to both the first half and second half of 2013. These factors are explained more fully below and in the Investor Presentation available at www.sagentia.com.

Group Financial Performance

On a statutory basis, for the six months ended 30 June 2014, the Group (including OTM Consulting) generated adjusted operating profit of £2.4 million (H1 2013: £2.9 million) on revenue of £13.3 million (H1 2013: £14.5 million). Reflecting the increase in non-cash intangibles amortisation and share based payments, profit before tax ('PBT') was £1.8 million (H1 2013: £2.7 million). Consultancy fees from Core operations were £11.9 million (H1 2013: £12.3 million) and "Other Core" revenues, which comprise primarily recharged project material revenues and licence income, were £0.8 million (H1 2013: £1.1 million). Other (non-Core) revenues, including property income from sub-let space in the Harston Mill facility, and IT support revenue from M5N during the wind down phase, declined as anticipated. (Throughout this report, adjusted operating profit excludes amortisation of acquisition related intangible assets, share based payment charges and other exceptional items).

Currency exchange movements in the first half of 2014 negatively and significantly impacted revenue, operating profit and PBT. Furthermore, the increasing likelihood of interest rate rises in order to address economic factors within the UK, will only exacerbate the challenge for international businesses by fuelling a further strengthening

of Sterling. To quantify the effect of the exchange rate movements, the Board estimates that revenue and profit in the first half of 2014 have been negatively impacted by approximately £0.5 million compared to the first half of 2013 and by approximately £0.3 million relative to the second half of 2013.

To mitigate the currency effects, the Board continues to evaluate the relative merits of currency hedging but to date has concluded that, in the current environment of steadily strengthening Sterling (as opposed to short term volatility), financial hedging instruments would merely defer the effects with little net benefit. However, where possible, the Group is realigning recruitment which will progressively result in more staff being based in the USA, a strategy consistent with the development of the Group's Technology Advisory services. (The benefits of scale derived from the science and engineering resources being located within the Group's Cambridge facility outweigh all other factors over the long term).

Normalising for the effects of currency, the wind-down of the non-core M5N business and the one-off licence in the second half of 2013, operating margins of 17.7% in H1 2014 compare to 16.9% in H1 2013 and 14.6% in H2 2013. In this challenging environment, such resilience is very satisfactory but has required a significant tightening of the cost base.

It was highlighted in the 2013 Annual Report and Accounts that the Group's tax losses anticipated to be used to offset future trading profits were fully recognised as an asset in 2013. As a result, the earnings per share of the Group are not only affected by the foreign exchange and matters noted above, but also by the inclusion of standard rates of corporation tax, although the cash effect remains unchanged due to the significant tax losses carried forward. On a statutory basis, basic earnings per share were 3.7 pence (H1 2013: 7.1 pence), and diluted earnings per share in H1 2014 were 3.4 pence (H1 2013: 6.6 pence).

The Group retains a robust balance sheet with Shareholder Funds at 30 June 2014 of £32.5 million (30 June 2013: £27.7 million), including net cash and freehold property of £27.1 million (30 June 2013: £28.4 million). Cash increased to £22.8 million (30 June 2013: £20.5 million). Net funds at 30 June 2014 were £13.5 million (30 June 2013: £14.7 million).

In summary, while the current foreign exchange environment is challenging, Sagentia Group plc remains highly profitable with a very strong balance sheet.

Geographical and Sector Revenue

In the period to 30 June 2014, on actual exchange rates in the respective period, the Group's product and technology development services ('PTD') accounted for £10.2 million revenue (H1 2013: £12.4 million) and the Technology Advisory services (including OTM Consulting Ltd acquired in July 2013) accounted for £2.5 million (H1 2013: £1.0 million).

Approximately 45% of the Group's Core revenue was derived from the Medical Sector in the first half of 2014 (H1 2013: 50%) and 55% from the Commercial Sector (H1 2013: 50%). North America, the Group's largest international market contributed 62% of Group Core revenue (H1 2013: 69%). The top five clients accounted for approximately 33% and the top ten clients for approximately 49% of the Consultancy fee revenues (H1 2013: 47% and 71% respectively).

Prospects

In a very challenging currency environment, and with comparison against the exceptionally strong results in 2013, the operating performance of the Group in the first half of 2014 has been satisfactory. However the potential further strengthening of Sterling associated with the anticipated interest rate increases remains a concern. For reference, relative to the exchange rates at the start of the year, the first half results have been negatively impacted by approximately £0.1 million, although if the exchange rate on 30 June 2014 had prevailed through the first half of the year, the first half results would have been negatively impacted by approximately £0.3 million. As such, the Board remains cautious and retains a prudent perspective for the second half although the underlying trading is anticipated to deliver revenue growth in H2 relative to the first half of the year.

Despite the challenges of external factors, the Board considers that the reported operating margin remains towards the top-end of comparable companies in the industry. This strong margin and tight cost control have partially mitigated the effects of the currency market volatility in the first half of 2014 and has enabled the Group to continue its progress.

From this strong foundation and with a robust balance sheet, the Board is committed to managing the business for the long term benefit of shareholders, customers and employees. While prudence and tight cost control will be maintained, and mitigating actions taken as appropriate, the Board will allow the financial performance to fluctuate in order to continue to pursue the Group's long term strategic objectives. To this endeavour, the Board continues to explore acquisition and investment opportunities that are consistent with the long term strategy of Sagentia Group plc.

Consolidated Income Statement
For the period ended 30 June 2014

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Year ended 31 December 2013 (Audited)
Notes	£000	£000	£000
Revenue	13,344	14,492	30,596
Operating expenses	(10,978)	(11,570)	(24,852)
Adjusted operating profit	4 2,366	2,922	5,744
Amortisation of acquisition related intangible assets	(173)	-	(109)
Share based payment charge	(219)	(110)	(283)
Operating profit	4 1,974	2,812	5,352
Finance costs	(188)	(142)	(467)
Finance income	13	34	54
Profit before income tax	1,799	2,704	4,939
Income tax (charge) / credit	(360)	(91)	(306)
Profit for the period from continuing operations	4 1,439	2,613	4,633
Profit for the period attributable to equity holders of the parent	1,439	2,613	4,633
Earnings per share			
Earnings per share (basic)	5 3.7p	7.1p	12.4p
Earnings per share (diluted)	5 3.4p	6.6p	11.2p

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2014

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Year ended 31 December 2013 (Audited)
	£000	£000	£000
Profit for the period	1,439	2,613	4,633
Other comprehensive income:			
Fair value gain / (loss) on interest rate swap, net of tax	9	-	(41)
Exchange differences on translating foreign operations	(4)	22	(27)
Other comprehensive income for the period, net of tax	5	22	(68)
Total comprehensive income for the period	1,444	2,635	4,565
Total comprehensive income for the period attributable to owners of the parent	1,444	2,635	4,565

**Consolidated Statement of Changes in Shareholders' Equity
For the period ended 30 June 2014**

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 2013	420	7,581	(4,451)	10,343	222	1,193	9,943	25,251
Issue of shares out of treasury stock	-	-	122	-	-	-	(98)	24
Dividends paid	-	-	-	-	-	-	(366)	(366)
Share based payment charge	-	-	-	-	-	110	-	110
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
Balance at 1 July 2013	420	7,581	(4,329)	10,343	244	1,303	12,092	27,654
Issue of shares out of treasury stock	-	-	627	-	-	-	(275)	352
Acquisition of OTM Consulting	-	194	765	-	-	-	-	959
Share based payment charge	-	-	-	-	-	173	-	173
Transactions with owners	-	194	1,392	-	-	173	(275)	1,484
Profit for the period	-	-	-	-	-	-	2,020	2,020
Other comprehensive income:								
Fair value gain / (loss) on interest rate swap	-	-	-	-	-	-	(41)	(41)
Exchange differences on translating foreign operations	-	-	-	-	(49)	-	-	(49)
Total comprehensive income for the period	-	-	-	-	(49)	-	1,979	1,930
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
Issue of shares out of treasury stock	-	-	278	-	-	-	(136)	142
Issue of shares out of share capital	-	31	-	-	-	-	-	31
Dividends paid	-	-	-	-	-	-	(428)	(428)
Share based payment charge	-	-	-	-	-	219	-	219
Transactions with owners	-	31	278	-	-	219	(564)	(36)
Profit for the period	-	-	-	-	-	-	1,439	1,439
Other comprehensive income:								
Fair value gain / (loss) on interest rate swap	-	-	-	-	-	-	9	9
Exchange differences on translating foreign operations	-	-	-	-	(4)	-	-	(4)
Total comprehensive income for the period	-	-	-	-	(4)	-	1,448	1,444
Balance at 30 June 2014	420	7,806	(2,659)	10,343	191	1,695	14,680	32,476

**Consolidated Balance Sheet
At 30 June 2014**

	At 30 June 2014 (Unaudited)	At 30 June 2013 (Unaudited)	At 31 December 2013 (Audited)
	£000	£000	£000
Assets			
Non-current assets			
Goodwill	3,458	119	3,577
Acquisition related intangible assets	1,965	10	2,058
Property, plant and equipment	14,576	14,335	14,482
Deferred income tax assets	2,320	3,312	2,634
	22,319	17,776	22,751
Current assets			
Trade and other receivables	4,478	3,741	5,272
Cash and cash equivalents	22,817	20,516	22,428
	27,295	24,257	27,700
Total assets	49,614	42,033	50,451
Liabilities			
Current liabilities			
Trade and other payables	5,440	6,186	7,105
Current income tax liabilities	161	44	155
Borrowings	1,013	813	1,020
	6,614	7,043	8,280
Non-current liabilities			
Borrowings	8,278	5,004	8,778
Other payables	42	112	112
Derivative financial liabilities	32	-	41
Deferred income tax liabilities	2,172	2,220	2,172
	10,524	7,336	11,103
Total liabilities	17,138	14,379	19,383
Net assets	32,476	27,654	31,068
Shareholders' equity			
Share capital	420	420	420
Share premium	7,806	7,581	7,775
Treasury stock	(2,659)	(4,329)	(2,937)
Merger reserve	10,343	10,343	10,343
Translation reserves	191	244	195
Share based payment reserve	1,695	1,303	1,476
Retained earnings	14,680	12,092	13,796
Total equity	32,476	27,654	31,068

Consolidated Statement of Cash Flows
For the period ended 30 June 2014

	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)	Year ended 31 December 2013 (Audited)
	£000	£000	£000
Profit before income tax	1,799	2,704	4,939
Depreciation and amortisation charges	302	143	441
Share based payment charge	219	110	283
Impairment of goodwill and acquisition related intangible assets	126	-	-
Change in fair value of contingent consideration	(39)	-	-
(Increase) / decrease receivables	794	(714)	(1,321)
Increase / (decrease) in payables	(1,592)	90	(120)
Cash generated from operations	1,609	2,333	4,222
UK corporation tax (paid) (net)	(40)	(71)	(339)
Foreign corporation tax received / (paid) (net)	-	3	46
Cash flows from operating activities	1,569	2,265	3,929
Purchase of property, plant and equipment	(312)	(174)	(419)
Purchase of subsidiary undertaking	-	(14)	(3,770)
Cash flow from investing activities	(312)	(188)	(4,189)
Issue of shares out of treasury	142	24	376
Dividends paid	(428)	(366)	(366)
Proceeds from bank loans	-	-	10,000
Repayment of bank loans	(500)	(400)	(6,450)
Proceeds from other loan	-	-	10
Repayment of other loan	(7)	(15)	(28)
Cash flows from financing activities	(793)	(757)	3,542
Increase / (decrease) in cash and cash equivalents in the period	464	1,320	3,282
Cash and cash equivalents at the beginning of the period	22,428	19,179	19,179
Exchange profit (loss) on cash	(75)	17	(33)
Cash and cash equivalents at the end of the period	22,817	20,516	22,428

Extracts from notes to the financial statements

1. General information

The financial information for the 6 months ended 30 June 2014 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 2013 Financial Statements of Sagentia Group plc. The Group's statutory financial statements for the year ended 31 December 2013 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 2014.

The group and company financial statements of Sagentia Group plc for the year ended 31 December 2013 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).

Income statement presentation

To provide a better guide to underlying business performance, adjusted operating profit excludes amortisation of acquisition related intangible assets, share based payment charges and other exceptional items.

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 2013. 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 2014. 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 Measurement.

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 adjusted operating profit. Other resources are shared across the Group.

Period ended 30 June 2014 (Unaudited)

	Core Business £000	Other £000	Total £000
Fees	11,916	-	11,916
IT support	-	140	140
Property income	-	499	499
Recharged project materials	735	25	760
Product and licence income	29	-	29
Revenue	12,680	664	13,344
Adjusted operating profit	2,336	30	2,366
Amortisation of acquisition related intangible assets			(173)
Share based payment charge			(219)
Operating profit			1,974
Finance charges (net)			(175)
Profit before income tax			1,799
Tax charge			(360)
Profit for the period from continuing operations			1,439

Period ended 30 June 2013 (Unaudited)

	Core Business £000	Other £000	Total £000
Fees	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
Adjusted operating profit	2,952	(30)	2,922
Share based payment charge			(110)
Operating profit			2,812
Finance charges (net)			(108)
Profit before income tax			2,704
Tax charge			(91)
Profit for the period from continuing operations			2,613

Year ended 31 December 2013
(Audited)

	Core Business £000	Other £000	Total £000
Fees	25,765	-	25,765
IT support	-	637	637
Property income	-	1,171	1,171
Recharged project materials	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
Tax charge			(306)
Profit for the period from continuing operations			4,633

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 2014 (Unaudited) £000	Six months ended 30 June 2013 (Unaudited) £000	Year ended 31 December 2013 (Audited) £000
Profit for the financial period from continuing operations	1,439	2,613	4,633
Weighted average number of shares:	Number	Number	Number
For basic earnings per share	38,729,108	36,692,789	37,424,309
For fully diluted earnings per share	42,639,325	39,699,396	41,334,727

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 consultancy projects where the final price to complete the project may be uncertain. 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 the proportion of time spent on the project or value of stage gates achieved as set out in the project. Management apply their judgement in assessing time required to complete the projects and the ability to recover the full project costs. Where significant uncertainty exists, income is deferred until costs are recovered or the project is completed.

(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 -