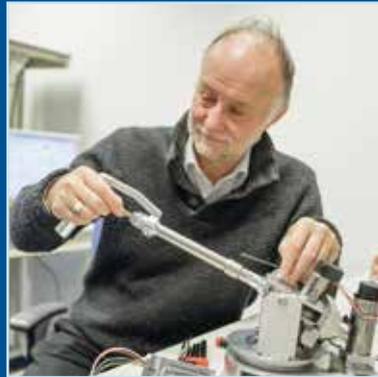
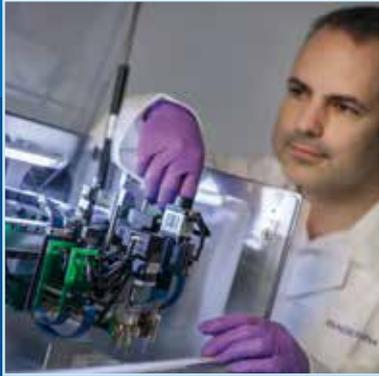


Annual Report and Financial Statements **2013**



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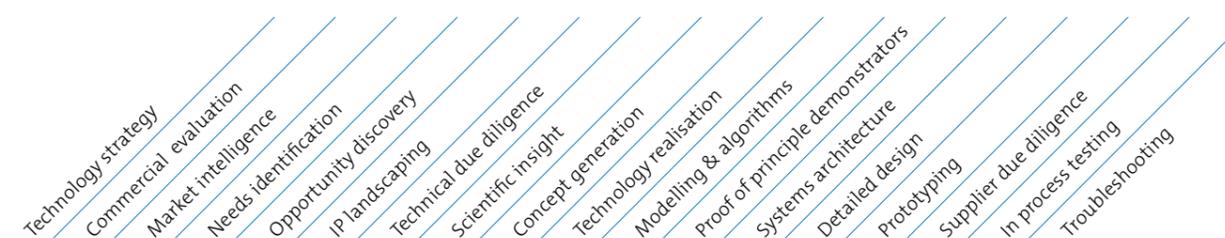
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About Sagentia Group plc

Sagentia Group plc (including its subsidiaries) is a global science, technology and product development Group working across a range of market sectors, including medical, oil & gas, consumer and industrial.

Through its operating companies, Sagentia offers technology advisory and outsourced R&D services, from new opportunity discovery and technology strategy, through to concept generation and full product development.

Sagentia works with a diverse range of clients of all sizes, ranging from some of the world's largest corporations to technology start-ups. The Group's headquarters are based near Cambridge, UK with offices in London, Guildford, Boston, Houston and Dubai.



Strategic Report

Chairman's Statement

Sagentia Group plc ('Sagentia' or the 'Group') 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 licence 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). (Throughout this report, adjusted operating profit excludes amortisation of acquisition related intangible assets, share based payment charges and other 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. 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 & 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 ('Manage5Nines'). 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

Strategic Report continued

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 believes 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 focused 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 focused 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 work experience 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.

Chairman's Statement (continued)

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 anticipates 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.

Finance Director's Report (continued)

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

Key Performance Indicators

The key performance indicators ('KPIs') are profit and cash flow. Profitability of the business, with its relatively fixed cost base, is managed primarily via the review of revenue with secondary measures of consultant utilisation and daily fee rates. Working capital is reviewed via measures of debtor days and combined debtor and WIP days. Performance against KPIs is reported in the Finance Director's Report.

Principal Risks and Uncertainties

In addition to the financial risks discussed in Note 3 and the effects on business performance related to changes in currency exchange rates noted in the Finance Director's Report, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Potential downturn in the market for outsourced services

Sagentia is dependent on the global market for outsourced research and development services. An economic downturn or instability may cause customers to delay or cancel product development projects and/or related services, or to use internal resources to achieve their business goals.

The Group seeks to mitigate this risk by diversifying exposure across geographical markets; increasing the number of market sectors in which the Group operates; diversifying the type of customers with whom the Group operates (ranging from well-funded start-up companies to large multi-national corporates); increasing the range of service offerings that the Group provides; and marketing activities to inform current and prospective customers regarding the benefits of outsourced research and development services and Sagentia's proven ability to fulfill those objectives.

Dependence on key personnel

Sagentia's business relies on recruiting and retaining highly qualified technical experts on whom the business depends to deliver research and development services, often requiring leading edge science and technology. Failure to recruit and retain key staff could threaten the business's ability to deliver projects to its clients or to win new work.

The Group seeks to mitigate this risk by encouraging staff retention by offering competitive remuneration packages for personnel including base salary, annual bonus, pension and health benefits and share option schemes; offering a diversity of technically challenging work for a diversity of customers in a number of market sectors, across a variety of technologies; and providing career development paths and training support.

Reputational risk

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

The Group seeks to mitigate this risk by having in place effective Quality Assurance procedures; senior management

review meetings being held with clients on a regular basis; formal questionnaires being sent to clients at the close of projects to ascertain their views and to inform improvements and actions that the company may take; and subscription to various accreditations including ISO 9001:2008 and ISO 13485:2003.

Economic conditions or other factors affecting the financial circumstances of customers of the Group

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

The Group seeks to mitigate this risk by actively managing customer credit limits and monitoring invoicing and work-in-progress on a regular basis and if appropriate, requiring the payment in advance of all or part of the estimated costs.

Project over-run or failure to meet technical milestones

Projects may over-run and/or may fail to meet technical milestones because the nature of the work which Sagentia undertakes is technically challenging. Project over-runs can lead to loss of margin on projects and overall profitability for the consultancy business. Poor performance may also result in damage to Sagentia's reputation.

The Group seeks to mitigate this risk by contracting the majority of projects on a time and materials basis; operating a formal bid review process including peer review of estimates submitted to customers; incorporating appropriate risk premiums into agreements if appropriate; conducting regular project reviews to assess whether the revenue recognised on work in progress is a fair representation of actual costs incurred and estimated costs to completion; conducting regular, formal project Board review meetings for large projects; and management meetings with clients to review progress on projects.

In addition to the principal risks and uncertainties above, the Group faces other risks that include but are not limited to:

- increased competition;
- failure to retain, or loss of, customer contracts;
- customer concentration;
- technology leadership;
- product liability claims or other warranty and indemnity claims in respect of contractual obligations;
- infringement of third party intellectual property rights;
- failure of licensees to successfully exploit licensed technology;
- counterparty risk;
- United Kingdom and other taxation;
- risk to property;
- changes in legislation relating to trading.

Corporate Responsibility

Sagentia takes its responsibilities as a corporate citizen seriously in the territories in which the company operates. The Board's primary goal is to create shareholder value but in a responsible way which serves all stakeholders. Furthermore, Sagentia seeks to continually enhance and extend its science and technology contribution to society through the work the Group undertakes with its clients and in areas where the Group decides to invest and explore directly.

Governance

The Board considers sound governance as a critical component of Sagentia's success and the highest priority. Sagentia has an effective and engaged Board, with a strong non-executive presence from diverse backgrounds, and well-functioning governance committees. Through the Group's compensation policies and variable components of employee remuneration, the Remuneration Committee of the Board seeks to ensure that the company's values are reinforced in employee behaviour and that effective risk management is promoted.

More information on our corporate governance can be found on page 14.

Diversity and inclusion

Sagentia's employment policies are non-discriminatory on the grounds of age, gender, nationality, ethnic or racial origin, non-job-related-disability, sexual orientation or marital status. Sagentia gives due consideration to all applications and provides training and the opportunity for career development wherever possible. The Board does not support discrimination of any form, positive or negative, and all appointments are based solely on merit.

The gender ratio for the Group at the end of the year was as follows:

	31 December 2013				31 December 2012			
	No	Male %	No	Female %	No	Male %	No	Female %
Plc Board of Directors (incl Company Secretary)	5	83%	1	17%	5	83%	1	17%
Operating Board	3	75%	1	25%	-	-	-	-
Senior Management & Staff (>£60,000 per annum)	48	86%	8	14%	37	90%	4	10%
Other Staff	106	70%	46	30%	77	71%	31	29%
Total Staff	162	74%	56	26%	119	77%	36	23%

Notes

- Staff are only allocated to one category. For example, where an employee is a member of the plc Board, that person is not then included within the other classifications.
- Subsidiary directors have not been separately identified in the above table. With the exception of one male and two female subsidiary directors, all subsidiary directors are either plc Board Directors or sit on the Operating Board.
- From 27 January 2014, the plc Board (including Company Secretary) comprises 4 male and 2 female members.

STEM bursary scheme

Sagentia has provided opportunities to paid interns since 2000 with many going on to work for the company after graduating. With effect from 2013, Sagentia launched the Sagentia Bursary Scheme, offering up to 10 paid bursaries of £2,500 each to support science and engineering students during the academic year. Successful applicants are also given preferential consideration for paid sandwich-year and/or summer placements with Sagentia and future employment opportunities. The Board anticipates these schemes continuing in the year ahead.

Health and safety

Sagentia endeavours to ensure that the working environment is safe and conducive to healthy, safe and content employees who are able to balance work and family commitments. The Group has a Health and Safety at Work policy which is reviewed regularly by the Board. The Board Executive Director responsible for health and safety is the Finance Director.

The Group is committed to the health and safety of its employees, clients, sub-contractors and others who may be affected by the Group's work activities. The Group evaluates the risks to health and safety in the business and manages this through a Health and Safety Management System.

The Group provides necessary information, instruction, training and supervision to ensure that employees are able to discharge their duties effectively. The Health and Safety Management System used by the Group ensures compliance with all applicable legal and regulatory requirements and internal standards and seeks by continuous improvement to develop health and safety performance.

Research & development

Sagentia provides outsourced research & development services and therefore has an inherent and continuing commitment to very high levels of research & development, primarily on behalf of its clients but also on its own behalf.

Environment

Sagentia's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. The Group's operations are conducted such that compliance is maintained with legal requirements relating to the environment in areas where the Group conducts its business. During the period covered by this report Sagentia has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Approved by the Board of Directors on 4 March 2014 and signed on its behalf by

Martyn Ratcliffe
Chairman

Rebecca Hemsted
Finance Director

Report of the Directors

The Directors present their annual report on the business of Sagentia Group plc together with consolidated financial statements and independent auditor's report for the year ended 31 December 2013.

Accompanying the Report of the Directors is the Strategic Report on pages 4 to 11.

Review of the business and its future development

A review of the business and its future development is set out in the Strategic Report, incorporating the Chairman's Statement and Finance Director's Report.

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports and should be treated with caution due to inherent uncertainties associated with such statements.

Results and dividends

The results of the Group are set out in detail on page 21.

The Directors propose to pay a dividend of 1.1 pence per share for the year ended 31 December 2013 (2012: 1.0 pence).

Capital structure

Details of the Company's issued share capital, together with details of the movements therein are set out in Note 20 to the financial statements. The Company has one class of ordinary shares which carry no right to fixed income.

Directors

The Directors are listed on page 13. Biographies of the Directors are given on page 13.

Rebecca Hemsted was appointed by the Board on 27 January 2014 and as such will offer herself for re-election at the next Annual General Meeting. Professor Keith Glover will retire by rotation and offer himself for re-election at the next Annual General Meeting.

Substantial shareholdings

As at the date of this report, Sagentia had been notified of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Martyn Ratcliffe	12,512,906	32.47%
Legal & General Investment Management	4,215,539	10.94%
Hargreave Hale	3,781,770	9.81%
Ruffer LLP	3,103,685	8.05%
Charles Stanley & Co	1,758,206	4.56%
Allianz Global Investors Europe	1,400,000	3.63%

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and Note 3 to the financial statements.

Directors' interests in shares and contracts

Directors' interests in the shares of Sagentia Group plc at 31 December 2013 and 31 December 2012, and any changes subsequent to 31 December 2013, are disclosed in Note 8. None of the Directors had an interest in any contract of significance to which Sagentia was a party during the financial year.

Annual General Meeting

The Annual General Meeting ('AGM') will be held at 9.00am on 20 May 2014 at Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT. The notice of the Annual General Meeting contains the full text of resolutions to be proposed.

Purchase of own shares

At the AGM on 15 May 2013, shareholders approved a resolution for the Company to buyback up to ten per cent of its own shares. This resolution remains valid until the later of the conclusion of the next Annual General Meeting in 2014 or 30 June 2014. As at 4 March 2014, the Directors had not used this authority.

Employees

The average number of persons, including directors, employed by the Group and their remuneration, is set out in Note 7 to the financial statements.

Donations

The company operates a scheme whereby it will, on a discretionary basis, match charitable donations raised by employees up to a specified limit. Charitable contributions made in 2013 were £6,000 (2012: £6,000). No political donations were made during the period (2012: £Nil).

Post balance sheet events

There are no post balance sheet events to disclose.

Auditors

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

Report of the Directors continued

Directors

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

Director	Role at 31 December 2013	Date of (re-) appointment	Retired	Board Committee
Martyn Ratcliffe	Chairman	16/04/12		N
Neil Elton	Finance Director	16/05/11	14/02/14	
David Courtley†	Non-Executive	15/05/13		A N R
Michael Lacey-Solymar†	Non-Executive	15/05/13		A N R
Keith Glover†	Non-Executive	16/04/12		A N R

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

† Independent Director

Ms Rebecca Hemsted was appointed Finance Director on 27 January 2014 and Mr Neil Elton retired on 14 February 2014.

Martyn Ratcliffe – Chairman

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

Rebecca Hemsted – Finance Director

Rebecca Hemsted was appointed to the Board on 27 January 2014. 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 joined Sagentia from RM plc where she was Business Finance Partner for the Managed Services Business.

David Courtley – Senior Independent Director

David Courtley was appointed a Non-Executive Director on 15 April 2010. He is also Chief Executive of Mozaic Services and Non-Executive Director of Parity plc. He was previously Chief Executive of Phoenix IT Group plc, Chief Executive of Fujitsu Services Europe and MD of EDS UK. He has a degree in Mathematics from Imperial College, London.

* Retires by rotation at the next AGM

Michael Lacey-Solymar – Non-Executive Director

Michael was appointed a Non-Executive Director on 11 October 2012. Michael has over twenty-five years corporate finance experience, having spent eighteen years at UBS and seven years at Investec. He is currently a partner at Opus Corporate Finance LLP and a Non-Executive Director of DrugDev Inc. He has a degree in Modern Languages from the University of Oxford.

Professor Keith Glover* – Non-Executive Director

Keith Glover was appointed a Non-Executive Director on 1 October 2011. He is a Fellow of the Royal Society, a Fellow of the Institute of Electrical and Electronic Engineers, a Fellow of the Royal Academy of Engineering, and was elected to a Professorship of Engineering at Cambridge University in 1989, served as Head of the Department of Engineering from 2002 to 2009 and became an Emeritus Professor on 1 January 2014. He has a BSc in Electrical Engineering from Imperial College, London and a PhD from Massachusetts Institute of Technology.

Sarah Cole – Company Secretary

Sarah Cole joined the Company on 10 January 2011 and was appointed Company Secretary on 22 March 2012. Ms Cole has a degree in Jurisprudence from the University of Oxford and qualified as a Solicitor in 2003.

Corporate Governance Report

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

Statement about applying the principles of the Code

Sagentia does not fully comply with the UK Corporate Governance Code but has reported on the Company's Corporate Governance arrangements drawing upon best practice available, including those aspects of the UK Corporate Governance Code which the Board considers to be relevant to the Company.

Board of Directors

Biographical details of the Directors and the Company Secretary are included on page 13.

At 31 December 2013, the Board comprised a Chairman, Finance Director and three Independent Non-Executive Directors. All Directors bring a wide range of skills and international experience to the Board. The Non-Executive Directors hold meetings without the Chairman and Finance Director present.

The Chairman is primarily responsible for the working of the Board of Sagentia Group plc and Group corporate strategy, the running of the business and implementation of the Board strategy and policy. The Chairman is assisted in the managing of the business on a day-to-day basis by the Managing Directors of the operating businesses, the Finance Director and the Executive team of Sagentia.

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

The Board met 17 times during 2013 (2012: 16). The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve. The Board typically meets ten times a year to consider a formal schedule of matters including the operating performance of the business and to review Sagentia's financial plan and business model.

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

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

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

Relations with shareholders

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

Balanced and understandable assessment of position and prospects

The Board has shown its commitment to presenting balanced and understandable assessments of Sagentia's position and prospects by providing comprehensive disclosures within the financial report in relation to its activities.

The Board has applied the principles of good governance relating to Directors' remuneration as described below. The Board has determined that there are no specific issues which need to be brought to the attention of shareholders.

Remuneration strategy

Sagentia operates in a competitive market. If Sagentia is to compete successfully, it is essential that it attracts, develops and retains high quality staff. Remuneration policy has an important part to play in achieving this objective. Sagentia aims to offer its staff a remuneration package which is both competitive in the relevant employment market and which reflects individual performance and contribution. For 2013 the remuneration package comprised salary, pension contributions, healthcare and life assurance benefits, a company bonus scheme and, where appropriate, share options. With effect from 2013, new graduates also receive a contribution towards repayment of student loans during their first three years of employment.

Board Committees

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

Audit Committee

The Audit Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar, David Courtley and Keith Glover. The Audit Committee met 3 times during 2013 (2012: 3). Further details on the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee

The Remuneration Committee is chaired by David Courtley and also comprises Keith Glover and Michael Lacey-Solymar. The Remuneration Committee met 7 times during 2013 (2012: 5). It may take advice from time to time from external advisers, but did not do so in 2013. Further details on the Remuneration Committee are provided in the Report of the Remuneration Committee.

Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and also comprises David Courtley, Michael Lacey-Solymar and Keith Glover. The Nomination Committee met once during 2013 (2012: 2). It may take advice from time to time from external advisers, but did not do so in 2013. The Committee meets when necessary. The Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Board seeks input from all Directors regarding nominations for Board positions. All Board appointments have to be ratified at a General Meeting of the Company.

Meetings of the Board and Subcommittees during 2013 were as follows:

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in 2013	17	3	7	1
Martyn Ratcliffe	17/17	3/3*	7/7*	1/1
Neil Elton	17/17	2/3*	6/7*	1/1*
David Courtley	16/17	3/3	7/7	1/1
Professor Keith Glover	17/17	3/3	7/7	1/1
Michael Lacey-Solymar	17/17	3/3	7/7	1/1

* Attendance by invitation

Report of the Remuneration Committee

Remuneration Committee

The Committee, which is chaired by David Courtley, also comprises Michael Lacey-Solymar and Keith Glover.

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

The Remuneration Committee recognises that incentivisation of staff is a key issue for Sagentia, which depends on the skill of its people for its success. The Remuneration Committee seeks to incentivise employees by linking individual remuneration to individual performance and contribution, and to Sagentia results. During the year the Remuneration Committee approved grants of share options and confirmed a profit related bonus scheme for the Company for 2013.

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

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

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

The remuneration package comprises the following elements:

- basic salary – normally reviewed annually and set to reflect market conditions, personal performance and benchmarks in comparable companies;
- annual performance-related bonus – executives, managers and employees receive annual bonuses related to company performance. The Chairman does not participate in the performance-related bonus scheme;
- benefits – benefits include medical insurance, life assurance, pension contributions and student loan contributions. The Chairman does not receive these benefits;
- share options – share option grants are reviewed regularly.

Full details of each Director's remuneration package and their interests in shares and share options can be found in Note 8 to the financial statements. There are no elements of remuneration, other than basic earnings, which are treated as being pensionable.

Service contracts

The Chairman and Finance Director have employment contracts that contain notice periods of six months. Non-Executive Directors' service contracts may be terminated on three months' notice. There are no additional financial provisions for termination.

Share option plans

The Company adopted an approved and unapproved Share Option Scheme in 2008, the terms of which were reviewed and amended in 2010 and 2013 and adopted by shareholders. Further in 2013, the company adopted a new unapproved Performance Share Plan which was adopted by shareholders at the AGM on 15 May 2013. Options granted under the former schemes were issued at market price whilst options granted under the new PSP scheme are issued at the nominal share price. The Remuneration Committee approves any options granted thereunder. Directors are entitled to participate in Sagentia's share option schemes. Independent Non-Executive Directors do not participate in Sagentia's share option schemes. It is the policy of Sagentia to grant share options to Executive Directors and key employees as a means of encouraging ownership and providing incentives for performance. To date share options granted to the Chairman have been specifically approved by shareholders.

The market price of the shares at 31 December 2013 was 142.0 pence (31 December 2012: 91.5 pence). The highest and lowest price during the year was 153.0 pence and 88.5 pence respectively.

Report of the Audit Committee

Audit Committee

The Audit Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar, David Courtley and Keith Glover.

The Audit Committee has written terms of reference and provides a mechanism through which the Board can maintain the integrity of the financial statements of Sagentia and any formal announcements relating to Sagentia's financial performance; to review Sagentia's internal financial controls and Sagentia's internal control and risk management systems; and to make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness and the independence and objectivity of the auditors. A recommendation regarding the auditors is put to shareholders for their approval in general meetings.

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

The Board and Audit Committee have approved an extension to the engagement term of the Senior Statutory Auditor responsible for the audit opinion in relation to Sagentia Group plc. The term is extended from 5 to 6 years. The Audit Committee believes that given the change in Finance Director in 2014, continuity is important to the quality of the Group's audit and is satisfied that the safeguards proposed by the auditor mean that the extension will not threaten the objectivity and independence of the audit. Accordingly, the rotation of the Senior Statutory Auditor will apply after the year ended 31 December 2014.

Internal controls

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

Sagentia has established procedures necessary to implement the guidance on internal control issued by the FRC Guidance on Audit Committees 2010. This includes identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its Executives and senior managers.

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

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

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

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

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

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

This process, which operates in accordance with the FRC guidance, was maintained throughout the financial year, and has remained in place up to the date of the approval of these financial statements. The Board, via the Audit Committee, has reviewed the systems and processes in place in meetings with the Finance Director and Sagentia's auditors during 2013. No internal audit function is operated outside of the systems and processes in place, as the Board considers that Sagentia is too small for a separate function. The Board considers the internal control system to be adequate for Sagentia.

The auditors have provided services in relation to the annual audit of the Group, advice and compliance work in relation to taxation and other advisory work during the year.

Report of the Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and also comprises David Courtley, Michael Lacey-Solymar and Keith Glover.

The Nomination Committee reviews the composition of the Board and its effectiveness on an annual basis in order to ensure that the Board comprises the requisite skills (corporate, financial, operational and technical) and experience and reviews how the Board works together as a unit. The Nomination Committee does not believe that it is appropriate to set any specific targets with regards diversity, including gender, although the Committee believes that the search for board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the board.

During the year, the Board conducted a search for a new Finance Director. Members of the Nomination Committee recommended the appointment of Rebecca Hemsted to the Board in November 2013.

Directors' Responsibilities

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

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

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

The Directors confirm that:

- in so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Approval

The Report of the Directors was approved by the Board on 4 March 2014 and signed on its behalf:

By order of the Board	Harston Mill, Harston
Sarah Cole	Cambridge,
Company Secretary	CB22 7GG

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

We have audited the financial statements of Sagentia Group plc for the year ended 31 December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of changes in shareholders' equity, the consolidated and company balance sheet, the consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 18, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Alison Seekings

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
4 March 2014

Financial Statements

and Notes to the Financial Statements

Consolidated Income Statement

For the year ended 31 December 2013

	Note	Group	
		2013 £000	2012 £000
Revenue	4	30,596	22,268
Operating expenses	5	(24,852)	(18,383)
Adjusted operating profit		5,744	3,885
Amortisation of acquisition related intangible assets	13	(109)	-
Share based payment charge	7, 20	(283)	(155)
Other exceptional cost		-	(500)
Operating profit	4	5,352	3,230
Finance costs	6	(467)	(319)
Finance income	6	54	87
Profit before income tax		4,939	2,998
Income tax	9	(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)	11	12.4p	7.9p
Earnings per share from continuing operations (diluted)	11	11.2p	7.5p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Group	
	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 and Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 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	-	-	(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

Company	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	-	239	10,859	29,397
Purchase of own shares	-	-	(4,458)	-	-	-	-	(4,458)
New shares issued	2	43	-	-	-	-	-	45
Share based payment charge	-	-	-	-	-	49	(6)	43
Issue of shares out of treasury stock	-	-	7	-	-	-	(6)	1
Transactions with owners	2	43	(4,451)	-	-	49	(12)	(4,369)
Profit and total comprehensive income for the year	-	-	-	-	-	-	1,333	1,333
Balance at 31 December 2012	420	7,581	(4,451)	10,343	-	288	12,180	26,361
Balance at 1 January 2013	420	7,581	(4,451)	10,343	-	288	12,180	26,361
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	-	-	-	-	-	28	-	28
Transactions with owners	-	194	1,514	-	-	28	(739)	997
Profit and total comprehensive income for the year	-	-	-	-	-	-	4,456	4,456
Balance at 31 December 2013	420	7,775	(2,937)	10,343	-	316	15,897	31,814

Consolidated and Company Balance Sheet

At 31 December 2013

	Note	Company		Group	
		2013 £000	2012 £000	2013 £000	2012 £000
ASSETS					
Non-current assets					
Goodwill	13	-	-	2,058	-
Acquisition related intangible assets	13	-	-	3,577	-
Property, plant and equipment	14	-	-	14,482	14,302
Investments	15	16,818	10,559	-	-
Deferred income tax assets	10	-	-	2,634	3,323
		16,818	10,559	22,751	17,625
Current assets					
Trade and other receivables	16	9,939	5,770	5,272	3,027
Cash and cash equivalents	17	5,281	10,223	22,428	19,179
		15,220	15,993	27,700	22,206
Total assets		32,038	26,552	50,451	39,831
LIABILITIES					
Current liabilities					
Trade and other payables	18	221	180	7,105	6,096
Current income tax liabilities	18	3	11	155	32
Borrowings	18	-	-	1,020	821
		224	191	8,280	6,949
Non-current liabilities					
Borrowings	19	-	-	8,778	5,411
Other payables	19	-	-	112	-
Derivative financial liabilities	19	-	-	41	-
Deferred income tax liabilities	10, 19	-	-	2,172	2,220
		-	-	11,103	7,631
Total liabilities		224	191	19,383	14,580
Net assets		31,814	26,361	31,068	25,251
Shareholders' equity					
Share capital	20	420	420	420	420
Share premium		7,775	7,581	7,775	7,581
Treasury stock		(2,937)	(4,451)	(2,937)	(4,451)
Merger reserve		10,343	10,343	10,343	10,343
Translation reserve		-	-	195	222
Share based payment reserve		316	288	1,476	1,193
Retained earnings		15,897	12,180	13,796	9,943
Total equity		31,814	26,361	31,068	25,251

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

Rebecca Hemsted Finance Director
Martyn Ratcliffe Chairman
 On 4 March 2014

The accompanying Notes are an integral part of the Consolidated and Company Balance Sheet.
 The Company's registered number is **06536543**.

Consolidated and Company Statement of Cash Flows

For the year ended 31 December 2013

	Note	Company		Group	
		2013 £000	2012 £000	2013 £000	2012 £000
Profit before income tax		4,457	1,344	4,939	2,998
Depreciation and amortisation charges		-	-	441	236
Share based payment charge		28	49	283	155
(Increase) / decrease in receivables		(4,169)	3,403	(1,321)	300
Increase / (decrease) in payables		33	(247)	(120)	318
Cash generated from operations		349	4,549	4,222	4,007
UK corporation tax paid		(1)	(11)	(339)	(264)
Foreign corporation tax received / (paid)		-	-	46	(61)
Cash flows from operating activities		348	4,538	3,929	3,682
Purchase of property, plant and equipment		-	-	(419)	(417)
Purchase of subsidiary undertaking, net of cash received		(5,300)	-	(3,770)	-
Cash flows used in investing activities		(5,300)	-	(4,189)	(417)
Issue of ordinary share capital		-	45	-	45
Issue of shares out of treasury		376	1	376	1
Repurchase of own shares		-	(4,458)	-	(4,458)
Dividends paid		(366)	-	(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		10	(4,412)	3,542	(5,247)
Increase / (decrease) in cash and cash equivalents in the year		(4,942)	126	3,282	(1,982)
Cash and cash equivalents at the beginning of the year		10,223	10,097	19,179	21,198
Exchange gains / (losses) on cash		-	-	(33)	(37)
Cash and cash equivalents at the end of the year	17	5,281	10,223	22,428	19,179

Notes to the Financial Statements

For the year ended 31 December 2013

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).

These consolidated financial statements have been approved for issue by the Board of Directors on 4 March 2014.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Sagentia have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value. The financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Of the new standards and interpretations effective for the year ended 31 December 2013, there was no impact on the presentation of the financial statements of Sagentia other than in disclosure. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

No income statement is presented for the Company as provided by Section 408 of the Companies Act 2006. The Company's profit for the financial period after tax, determined in accordance with the Act, was £4,456,000 (2012: £1,333,000).

The Standards and Interpretations in issue but not effective for accounting periods commencing on 1 January 2013 that may impact on Sagentia going forward are listed below. Sagentia has not adopted these early.

Number	Title	Effective
IFRS 10	Consolidated Financial Statements	01-Jan-14
IFRS 11	Joint Arrangements	01-Jan-14
IFRS 12	Disclosure of Interests in Other Entities	01-Jan-14
IAS 27 (Revised)	Separate Financial Statements	01-Jan-14
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	01-Jan-14
Amendments to IFRS 10, 11 and 12	Transition Guide	01-Jan-14
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	01-Jan-14
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	01-Jan-14

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Sagentia's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 26.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report. In addition, Note 3 to the financial statements and the Report of the Directors include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

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

2.2 Basis of consolidation

The basis of consolidation is set out below:

Subsidiaries – subsidiaries are entities over which Sagentia has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Sagentia controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Sagentia. They are de-consolidated from the date that control ceases. Intercompany balances and transactions between Group companies are eliminated on consolidation.

Investment in subsidiaries – in the Company accounts, investments in subsidiaries are stated at cost less any provision for impairment where appropriate.

Business combinations – the acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed in exchange for control. The acquired company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date. Acquisition expenses are expensed as incurred.

2.3 Segment reporting

Under IFRS 8, the accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the chief operating decision makers (CODMs).

There are two segments identified; Core Business and Other. Core Business activities includes all 'fees for services' operations including recharged materials and product and licence income generated directly from these activities. 'Other' activities include rental income from Harston Mill and external IT services. The constituent sectors (Medical and Commercial) are reviewed by the CODM at the revenue / sales level only.

2.4 Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill – goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in profit or loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Acquisition related intangible assets – net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised over their useful lives which are individually assessed. The estimated useful economic life for customer contracts and relationships is 11 years.

2.5 Research and development expenditure

Research and development expenditure is written off as incurred.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

Land is not depreciated. Depreciation on buildings is calculated using the reducing balance method to calculate their cost less their residual values over their economic life as follows:

Buildings	25 years
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Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Furniture and fittings	3-5 years
Equipment	3 years

Acquired computer software licences are included within equipment. These are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

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

2.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

2.8 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short term, liquid investments that are readily convertible to a known amount of cash and that are subject to a minimal risk of changes in value.

2.10 Borrowings

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

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

2.11 Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% to 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.11 Derivative financial instruments (continued)

In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

2.12 Share capital

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

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

2.13 Revenue recognition

Consulting revenue represents the fair value of the consideration received or receivable for consulting services on each client assignment provided during the year based on the time worked at agreed fee rates, including expenses and disbursements but excluding value added tax and other similar sales taxes.

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

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

Property income from leases over property held is recognised in the related period on a straight line basis over the lease term.

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

Investment income is recognised in the income statement in the period in which it arises.

2.14 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.15 Foreign currency

(a) Functional and presentation currency

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

(b) Transactions and balances

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

In respect of translation differences on non-monetary items, items held at cost are translated at the exchange rate at the date of transaction.

(c) Group companies

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

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

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.16 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies based on a percentage of salary earned, currently ranging between 0% and 8%. These are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administered pension insurance plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Sagentia Inc. and OTM Consulting Inc. provide 401(k) benefits to employees. Sagentia has no further payment obligations once the contributions have been paid.

(b) Share based compensation

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

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

The share based compensation charge in the Company financial statements is based only on those option holders employed directly by the Company.

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

2.17 Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from goodwill, the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Sagentia and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Income tax

Income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws of the relevant countries that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements continued

2 Summary of significant accounting policies (continued)

2.19 Leases

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

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

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

Income from property leases is recognised in the related period on a straight line basis over the lease term. The majority of property leases are subject to mutual notice periods of up to 6 months.

2.20 Dividends

Dividends are recognised as a liability in the period in which the shareholders' right to receive payment has been established.

3 Financial risk management

3.1 Financial risk factors

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

(a) Foreign currency sensitivity

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

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

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

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

2013 £000	US\$	Euro	Others	Total
Financial assets	3,095	966	-	4,061
Financial liabilities	(87)	(2)	-	(89)
Exposure	3,008	964	-	3,972

2012 £000	US\$	Euro	Others	Total
Financial assets	1,733	204	2	1,939
Financial liabilities	(10)	(7)	-	(17)
Exposure	1,723	197	2	1,922

All foreign currency denominated financial assets and liabilities are classified as current.

The following table illustrates the sensitivity of the net movement on reserves and equity in regards to Sagentia's financial assets and financial liabilities and the US dollar/GBP exchange rate and Euro/GBP exchange rate. It assumes a +/- 10.0% change of the GBP/US dollar exchange rate for the year ended 31 December 2013 (2012: 10.0%). A +/- 10.0% change is considered for the GBP/Euro exchange rate (2012: 10.0%).

If the GBP had strengthened against the US dollar and Euro by 10.0% (2012: 10.0%) respectively then this would have had the following impact:

2013 £000	US\$	Euro	Total
Income statement	(273)	(88)	(361)
Equity	(273)	(88)	(361)

2012 £000	US\$	Euro	Total
Income statement	(159)	(19)	(178)
Equity	(159)	(19)	(178)

For a 10% weakening of GBP against the relevant currency, there would be a comparable but opposite impact on the income statement and equity.

The Company held no financial assets or liabilities in foreign currencies at the start or end of the year.

The actual rate movement against the US dollar and Euro for the year was +2.1% (2012: +5.0%) and -2.0% (2012: +3.0%) respectively. Exposures to foreign exchange rates vary during the year depending on the volume and value of overseas transactions.

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Interest rate sensitivity

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

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

	2013 £000	2012 £000
Sterling – bank loan	9,750	6,200

Weighted average interest rate	%	%
Sterling – fixed rate bank loan	3.89%	4.71%
Sterling – floating rate bank loan	Libor+2.0%	Libor+2.5%

For benchmark rates of interest, Sagentia refers to the LIBOR rate. The bank loan is secured via a fixed charge over certain assets of Sagentia and is repayable as disclosed in Note 21. Terms and conditions of the interest rate swap are as disclosed in Note 21.

(c) Credit risk analysis

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

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

	Company		Group	
	2013 £000	2012 £000	2013 £000	2012 £000
Cash and cash equivalents	5,281	10,223	22,428	19,179
Trade and other receivables	9,918	5,736	4,764	2,689
	15,199	15,959	27,192	21,868

Sagentia monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Sagentia's policy is to deal only with creditworthy counterparties or to require settlement in advance, although there can be no certainty that counterparty creditworthiness will be maintained. Cash balances are held with more than one creditworthy institution.

Management reviews the credit status of the financial institutions with whom it holds its deposits.

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

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

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk analysis

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

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

As at 31 December 2013, Sagentia's financial liabilities have contractual maturities which are summarised below:

2013	Current		Non-current	
	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Within				
Bank borrowings	500	500	8,750	-
Other borrowings	10	10	28	-
Interest on bank borrowings	182	173	995	-
Trade payables	342	-	-	-
Accruals	3,479	-	-	-
Financial instruments	-	-	41	-
Contingent consideration	-	-	104	-
	4,513	683	9,918	-

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

2012	Current		Non-current	
	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Within				
Bank borrowings	400	400	5,400	-
Other borrowings	11	10	11	-
Interest on bank borrowings	144	134	396	-
Trade payables	63	-	-	-
Accruals	2,632	-	-	-
	3,250	544	5,807	-

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(e) Summary of financial assets and liabilities by category

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

	Company		Group	
	2013 £000	2012 £000	2013 £000	2012 £000
Loans and receivables:				
- Trade receivables	-	-	3,544	2,388
- Other receivables	9,918	5,736	1,220	301
- Cash and cash equivalents	5,281	10,223	22,428	19,179
	15,199	15,959	27,192	21,868
Financial liabilities at amortised cost:				
- Non-current borrowings	-	-	8,778	5,411
- Current borrowings	-	-	1,020	821
- Trade payables	24	1	342	63
- Accruals	173	127	3,479	2,632
	197	128	13,619	8,927
Derivatives used for hedging:				
- Financial instruments	-	-	41	-
	-	-	41	-
Financial liabilities measured at fair value through profit or loss:				
- Contingent consideration	-	-	104	-
	-	-	104	-

3.2 Fair value estimation

Financial assets and liabilities measured at fair value in the balance sheet are grouped into three levels based on the significance used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

The Group has measured the interest rate swap and the contingent consideration on the acquisition of Quadro Design Limited (formerly QDA Limited) ('Quadro') at fair value and these have been measured under level 2 and level 3 respectively.

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations. The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

Interest rate swap:

The fair value is estimated by discounting the future contracted cash flows, using readily available market data.

Contingent consideration:

The fair value of contingent consideration related to the acquisition of Quadro (refer to Note 22) is estimated using a present value technique and is calculated by probability-weighting the estimated future cash outflows.

Notes to the Financial Statements continued

3 Financial risk management (continued)

3.3 Capital management

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

The Group primarily views its capital as being its shareholders' funds, net funds (being gross cash less borrowings) and the freehold property at Harston Mill.

	Group	
	2013	2012
	£000	£000
Total shareholders' funds	31,068	25,251
Net Funds (cash less borrowings)	12,630	12,947
Freehold property at Harston Mill	13,657	13,724

Shareholders' funds

In 2012 Sagentia Limited paid a dividend distribution to Sagentia Group plc of £2.0 million and a further £5.0 million in 2013. In addition, with the liquidation of Sagentia Group AG the Company was able to release an intercompany provision which along with profits generated by the Company in year ended 31 December 2013 have resulted in the Company having distributable reserves of £16.1 million at 31 December 2013 (2012: £12.2 million).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Board will recommend the payment of a dividend of 1.1 pence per share at the forthcoming AGM (2012: 1.0 pence). The Board anticipates recommending a single dividend being paid each year.

Net funds

The net funds of the Group have decreased marginally during 2013 as a result of the acquisition of OTM, of which £5.3 million net consideration was paid in cash, offset by effective cash flow management as set out in the Consolidated Statement of Cash Flows.

Details of the Group's borrowings are set out in Note 21 which summarises the terms of the new loan and interest swap arrangement.

Freehold property

Details of the Freehold Property are set out in Note 14.

Notes to the Financial Statements continued

4 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

Notes to the Financial Statements continued

4 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.

5 Operating expenses

Expenses by nature	Note	Group	
		2013 £000	2012 £000
Year ended 31 December			
Employee remuneration and benefit expense (excluding share based payment charge)	7	14,462	10,308
Operating third party expenses		3,855	2,891
Occupancy costs		1,952	1,539
Equipment and consumables		859	797
Selling and marketing expenses		1,499	1,309
Depreciation of property, plant and equipment	14	332	236
Patent fees		49	59
Recruitment and training		372	322
Foreign currency losses		(23)	46
Other		1,495	876
		24,852	18,383
Included above			
		2013 £000	2012 £000
Research and development *		7,469	6,035
Operating lease rentals			
- Plant and machinery		18	17
Auditors' remuneration			
Services to the Company and its subsidiaries:			
Fees payable to the Company's auditors for the audit of the financial statements		10	10
Audit of the financial statements of the Company's subsidiaries pursuant to legislation		43	27
Other non-audit fees		49	12

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

Notes to the Financial Statements continued

6 Finance income and finance costs

Finance costs include all interest-related income and expenses through profit or loss. The following have been included in the income statement for the reporting periods presented:

Year ended 31 December	Group	
	2013 £000	2012 £000
Finance income		
Bank interest receivable and similar income	54	87
Finance costs		
Bank borrowings	(467)	(319)

7 Employee benefit expense

Employment costs are shown below:

Year ended 31 December	Group	
	2013 £000	2012 £000
Wages and salaries (including bonuses and healthcare costs)	12,106	9,049
Social security costs	1,722	1,275
Share based payments	283	155
Pension costs	634	484
	14,745	10,963

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

Year ended 31 December	Group	
	2013	2012
Technology consultants	156	124
Marketing, support, administration and other technically-qualified staff	34	32
	190	156

Notes to the Financial Statements continued

8 Directors' remuneration, interests and transactions

Directors' emoluments and benefits include:

Year ended 31 December 2013	Salary/fee	Bonus	Pension contribution	Taxable benefits	Compensation for loss of office	Total
Name of Director	£000	£000	£000	£000	£000	£000
Courtley	30	-	-	-	-	30
Elton	161	-	12	8	123	304
Glover	30	-	-	-	-	30
Lacey-Solymar	30	-	-	-	-	30
Ratcliffe	275	-	-	-	-	275
Aggregate emoluments	526	-	12	8	123	669

Year ended 31 December 2012	Salary/fee	Bonus	Pension contribution	Taxable benefits	Compensation for loss of office	Total
Name of Director	£000	£000	£000	£000	£000	£000
Courtley	30	-	-	-	-	30
Elton	155	62	12	8	-	237
Glover	30	-	-	-	-	30
Hudson	156	-	12	9	500	677
Lacey-Solymar	7	-	-	-	-	7
Ratcliffe	218	-	-	-	-	218
Aggregate emoluments	596	62	24	17	500	1,199

Directors' emoluments and benefits are stated for the Directors of Sagentia Group plc only. In addition to above, a share based payment charge of £28,000 was recognised in the income statement relating to share options held by directors (2012: £49,000).

The amounts shown were recognised as an expense during the year related to the Directors of the Company. Bonuses, pension and medical benefits are not paid to Non-Executive Directors.

Total social security costs related to Directors during the year was £81,000 (2012: £119,000).

Neil Elton resigned effective 14 February 2014. A payment of £123,000 was made reflecting the settlement of contractual obligations.

The above figures for emoluments do not include any gains made on the exercise of share options received under long term incentive schemes (2012: £Nil).

Directors' interests in the shares of Sagentia at 31 December 2013 and 31 December 2012, and any changes subsequent to 31 December 2013, are as follows:

Sagentia Group plc Ordinary shares of £0.01	Options				Shares	
	2013		2012		2013	2012
Year ended 31 December	Average exercise price (pence)		Number		Number	
Elton	51.0	55.8	100,000	600,000	171,914	101,914
Ratcliffe	40.0	40.0	2,500,000	2,500,000	12,512,906	12,512,906
Courtley	-	-	-	-	375,000	375,000
			2,600,000	3,100,000	13,059,820	12,989,820

See Note 20 for further details on option plans. Neil Elton exercised 400,000 share options during 2013. No other Directors exercised options during the year. 25,000 options were granted to Neil Elton during 2013 but those and a further 100,000 options have subsequently lapsed and are not included in the above table.

Notes to the Financial Statements continued

9 Income tax

The tax (charge) / credit comprises:

Year ended 31 December	2013	2012
	£000	£000
Foreign taxation	-	1
Current taxation	(175)	(178)
Deferred taxation (Note 10)	(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	2012
	£000	£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).

10 Deferred income tax

	2013	2012
	£000	£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

Notes to the Financial Statements continued

10 Deferred income tax (continued)

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 9)	(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	
	2013 £000	2012 £000	2013 £000	2012 £000
Deferred taxation is attributable to:				
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

Company	Provided		Not provided	
	2013 £000	2012 £000	2013 £000	2012 £000
Deferred taxation is attributable to:				
Tax losses available	-	-	6	6
Other temporary differences	-	-	-	-
Deferred tax asset	-	-	6	6
Tax losses relating to deferred tax asset not recognised	-	-	29	29

Notes to the Financial Statements continued

11 Earnings per share

The calculation of earnings per share is based on the following result and number 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, as disclosed in Note 20, are dilutive. The number of shares in issue (excluding treasury shares) at 31 December 2013 is 38,538,230 (2012: 36,665,591).

12 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.

Notes to the Financial Statements continued

13 Intangible assets

Group	Customer contracts and relationships £000	Goodwill £000	Total £000
Cost			
At 1 January 2012 and 31 December 2012	-	-	-
Acquisitions through business combinations	2,167	3,577	5,744
At 31 December 2013	2,167	3,577	5,744
Accumulated amortisation			
At 1 January 2012 and 31 December 2012	-	-	-
Amortisation charged in year	(109)	-	(109)
At 31 December 2013	(109)	-	(109)
Carrying amount			
At 31 December 2012	-	-	-
At 31 December 2013	2,058	3,577	5,635

Goodwill and acquisition related intangible assets recognised have arisen from acquisitions during the year. Refer to Note 22 for further details.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

Group	Post-tax discount rate	2013 £000
OTM Consulting Limited	14.5%	3,458
Quadro Design Limited	14.5%	119
		3,577

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates.

The Group monitors its post-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment reviews use a discount rate adjusted for post-tax cash flows.

The Group prepares cash flow forecasts derived from the most recent financial plan approved by the Board and extrapolates cash flows for the following two years based on forecast growth rates of the CGUs. The growth rates are based on internal growth forecasts of between 5% and 10%. The terminal rate used for the value in use calculation is 2.25%.

Sensitivity analysis

No reasonably possible change in a key assumption would produce a significant movement in the carrying value of goodwill allocated to a CGU and therefore no sensitivity analysis is presented.

Notes to the Financial Statements continued

14 Property, plant and equipment

Group	Freehold land and buildings £000	Furniture and fittings £000	Equipment £000	Total £000
Cost				
At 1 January 2012	16,685	1,644	1,827	20,156
Exchange differences on cost	(4)	-	(1)	(5)
Additions	-	267	150	417
Disposals	-	(1,026)	(1,293)	(2,319)
At 1 January 2013	16,681	885	683	18,249
Exchange differences on cost	-	-	(1)	(1)
Additions	-	280	139	419
Additions on acquisition	-	18	70	88
Disposals	-	(11)	(8)	(19)
At 31 December 2013	16,681	1,172	883	18,736
Accumulated depreciation				
At 1 January 2012	2,892	1,442	1,702	6,036
Depreciation charge	69	95	72	236
Exchange differences on depreciation	(4)	-	(2)	(6)
Disposals	-	(1,026)	(1,293)	(2,319)
At 1 January 2013	2,957	511	479	3,947
Depreciation charge	67	132	133	332
Exchange differences on depreciation	-	-	(1)	(1)
Disposals	-	(11)	(13)	(24)
At 31 December 2013	3,024	632	598	4,254
Carrying amount				
At 31 December 2012	13,724	374	204	14,302
At 31 December 2013	13,657	540	285	14,482

The property is held at cost less accumulated depreciation. Included within land and buildings for Sagentia is freehold land, to the value of £1,360,000 (2012: £1,360,000) which has not been depreciated. Cumulative interest capitalised up to 31 December 2003 was £340,000. No further interest has been capitalised since. The property was last valued during August 2013 by Savills for Lloyds TSB. Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation range for the building was between £12.9 million based on occupational tenancies where the head lease is merged into the Freehold Interest, and £18.0 million under a sale and leaseback scenario.

The property generated third party rental and services income of £1,171,000 (2012: £1,363,000). Given the continuing rental values and occupancy rates the Directors do not believe that the carrying value of the property is significantly different to its fair value determined during the year. The interest in freehold land and buildings has been charged as security to the bank loan (see Note 21).

Sagentia Group plc had no fixed assets at the start or end of the year.

Notes to the Financial Statements continued**15 Investments****Group investments**

Sagentia held investments in the following subsidiaries at 31 December 2013. The Directors do not consider that any of its investments are associates and to avoid a statement of excessive length, details of investments that are not significant have been omitted.

Subsidiaries of Sagentia Group plc	Country of incorporation	Principal activity	Shares held	%
Consulting operations				
Sagentia Limited*	England	Consultancy	Ordinary	100
Sagentia Technology Advisory Limited (formerly Sagentia Holdings Limited)*	England	Holding company	Ordinary	100
OTM Consulting Limited*	England	Consultancy	Ordinary	100
Quadro Design Limited (formerly QDA Limited)	England	Consultancy	Ordinary	100
Manage5Nines Limited	England	IT Consultancy	Ordinary	100
Sagentia Inc.	USA	Consultancy	Ordinary	100
OTM Consulting Inc.	USA	Consultancy	Ordinary	100
Sagentia GmbH†	Germany	Consultancy	Ordinary	100

* Direct subsidiaries of Sagentia Group plc as at 31 December 2013.

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

† In process of being dissolved – liquidation anticipated to be completed in early 2014.

Company investments

	Total £000
Cost	
At 1 January 2012 and 31 December 2012	10,559
Acquisitions through business combinations (see Note 22 (a))	6,259
At 31 December 2013	16,818

Notes to the Financial Statements continued**16 Trade and other receivables**

	Company		Group	
	2013 £000	2012 £000	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
Amounts owed by group undertakings	9,918	5,736	-	-
VAT	9	16	-	-
Prepayments	12	18	508	338
	9,939	5,770	5,272	3,027

All amounts disclosed above are receivable within 90 days.

All of Sagentia's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were considered to be impaired and a provision of £81,000 has been provided at 31 December 2013 (2012: £121,000). In addition, some of the unimpaired trade receivables are past due as at the reporting date.

	Group	
	2013 £000	2012 £000
Provision brought forward	121	57
Debts written off	-	-
Provision released	(58)	(33)
Provision made	18	97
Provision carried forward	81	121

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

	Group	
	2013 £000	2012 £000
Not more than 3 months	1,293	556
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	-	-
More than 1 year	-	-
	1,293	556

All impaired receivables are overdue by more than 60 days.

Notes to the Financial Statements continued

17 Cash and cash equivalents

	Company		Group	
	2013 £000	2012 £000	2013 £000	2012 £000
Short term bank deposits	4,873	10,140	9,935	15,186
Cash at bank and in hand	408	83	12,493	3,993
	5,281	10,223	22,428	19,179

18 Current liabilities

	Note	Company		Group	
		2013 £000	2012 £000	2013 £000	2012 £000
Trade and other payables – current					
Payments received on account		-	-	2,025	1,811
Trade payables		24	1	342	63
Other taxation and social security		24	52	351	518
VAT		-	-	12	132
Deferred income		-	-	896	940
Accruals		173	127	3,479	2,632
		221	180	7,105	6,096
Bank borrowings	21	-	-	1,000	800
Other borrowings	21	-	-	20	21
Current tax liabilities		3	11	155	32
		224	191	8,280	6,949

19 Other non-current liabilities

	Note	Group	
		2013 £000	2012 £000
Bank borrowings	21	8,750	5,400
Other borrowings	21	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

Notes to the Financial Statements continued

20 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 (excluding treasury shares). 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.

	2013		2012	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Reconciliation of outstanding options				
At beginning of year	6,233,385	56.2	6,476,770	44.0
Granted during year	1,062,500	1.0	1,500,000	86.0
Exercised during year	(928,500)	39.7	(210,051)	22.4
Lapsed during the year	(160,000)	60.4	(1,533,334)	38.4
At end of year	6,207,385	48.9	6,233,385	56.2

The options outstanding at 31 December 2013 had a weighted average contractual life of 7.6 years (2012: 8.1 years).

Included within the total outstanding options at 31 December 2013 are 3,139,885 options which are exercisable (31 December 2012: 547,555). The weighted average exercise price of exercisable options at the end of the year was £0.40 pence (2012: £0.29 pence).

Options exercised during the year had a weighted average share price at the date of exercise of £1.37 pence (2012: £0.85 pence).

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

All options granted during 2013 were valued using a binomial pricing model. Market performance conditions were included in the fair value calculations; specifically the share price being 129.0 pence per ordinary share for 20 consecutive trading days, are required to be met before these options become exercisable. Vesting period has been assumed to be 3 years.

All options granted during 2012 were valued using a binomial pricing model. Market performance conditions were included in the fair value calculations; specifically the share price being 129.0 pence per ordinary share for 20 consecutive trading days, is required to be met before these options become exercisable. These performance conditions were met during 2013. Vesting period has been assumed to be 3 years.

The total charge for the year relating to employee share based payment plans was £283,000 (2012: £155,000), all of which related to equity-settled share based payment transactions. The fair value per option granted and the assumptions used in the calculation are included in the table below.

Notes to the Financial Statements continued

20 Called-up share capital (continued)

At 31 December 2013, options granted to subscribe for ordinary shares of the company are as follows:

Date of grant	Option exercise period		Number of shares under option						
	From (a)	To	Approved scheme	Unapproved scheme	Incentive scheme	Exercise price (pence)	Fair value of options (pence)	Life (years)	Volatility
Dec 2007	Dec 2009	Dec 2017	-	109,978	-	45.0	28.8	10	58%
Nov 2008	Nov 2011	Nov 2018	20,000	-	-	17.5	9.9	10	42%
Dec 2009	Dec 2012	Dec 2019	100,000	-	-	15.5	8.8	10	42%
Jun 2010	Jun 2013	Jun 2020	-	-	2,500,000	40.0	8.0	10	35%
Jul 2010	Jul 2013	Jul 2020	151,500	50,000	208,407	51.0	14.0	10	35%
Oct 2011	Oct 2014	Oct 2021	295,374	259,626	-	80.0	32.9	10	65%
Nov 2012	Nov 2015	Nov 2022	539,273	950,727	-	86.0	18.6	10	40%
Sep 2013	Sep 2016	Sep 2023	-	972,500	-	1.0	80.8	10	25%
Oct 2013	Oct 2016	Oct 2023	-	50,000	-	1.0	86.5	10	25%
			1,106,147	2,392,831	2,708,407				

(a) Subject to earlier exercise in certain limited circumstances
For all options granted prior to 2013 the exercise price is also the share price at date of grant

21 Borrowings

Group	Note	2013 £000	2012 £000
Non-current			
Bank borrowings	19	8,750	5,400
Other borrowings	19	28	11
		8,778	5,411
Current			
Bank borrowings	18	1,000	800
Other borrowings	18	20	21
		1,020	821
Total borrowings		9,798	6,232

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

In September 2013, the Group arranged a new five year loan of £10.0 million, on which interest is payable based on LIBOR plus 2.0% 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.

Notes to the Financial Statements continued

21 Borrowings (continued)

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

	Company		Group	
	2013 £000	2012 £000	2013 £000	2012 £000
Within one year	-	-	1,000	800
Between 1 and 2 years	-	-	1,000	800
Between 2 and 5 years	-	-	7,750	4,600
Over 5 years	-	-	-	-
		-	9,750	6,200

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 1.9% pa, effectively fixing the Group's interest payments on the repayment loan facility at 3.9% 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.

Other borrowings relate to finance leases of £37,000 and a Carbon Trust loan which is interest free of £11,000. £20,000 is repayable within one year and £28,000 between 1 and 3 years.

Notes to the Financial Statements continued

22 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 10). 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.

Notes to the Financial Statements continued

22 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.

Notes to the Financial Statements continued

23 Commitments

(a) Lease commitments

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

	Group	
	2013 £000	2012 £000
Plant and equipment lease commitments		
Operating lease payments:		
- Within one year	3	3
- Between one and five years	17	13
	20	16
Property lease rentals		
Operating lease payments:		
- Within one year	282	92
- Between one and five years	287	110
	569	202
	589	218

(b) Other financial commitments

At 31 December 2013 the Group and the Company had other financial commitments of £Nil (2012: £Nil).

At 31 December 2013, the Group had a 5 year loan facility of £10.0 million secured on Harston Mill, Harston, near Cambridge, UK, of which £10.0 million (2012: £8.0 million) had been drawn down and the balance at 31 December 2013 was £9.75 million. This facility is repayable in September 2018 as detailed in Note 21. The Company has no loan facility at 31 December 2013 (2012: £Nil).

24 Contingent liabilities

The Group has provided a letter of credit issued by its bank on its behalf, in the ordinary course of business. The Directors are not aware of any circumstances that have given rise to a liability under the letter of credit and consider the possibility of any arising to be remote and therefore a fair value of £Nil (2012: £Nil) has been applied.

Notes to the Financial Statements continued

25 Related party transactions

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

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

Company	2013	2013	2012	2012
	Loans £000	Sale of goods and services £000	Loans £000	Sale of goods and services £000
Sagentia Limited	(9,918)	329	(5,736)	838
Sagentia Inc.	-	54	-	29
OTM Consulting Limited	-	27	-	-
Quadro Design Limited	-	4	-	-
Manage5Nines Limited	-	13	-	39
	(9,918)	427	(5,736)	906

The remuneration of the key management personnel of the Group, recognised in the income statement, is set out below in aggregate. Key management personnel include all members of the plc Board and the Operating Board of the Group.

Aggregate remuneration

Year ended 31 December	2013	2012
	£000	£000
Short-term employee benefits	1,617	1,086
Pension costs	54	34
Termination benefits	123	500
Share based payment transactions	89	58
	1,883	1,678

26 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) 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 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. 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 a return of investment through rental income.

27 Post balance sheet event

There are no post balance sheet events to disclose.

Advisers

Financial Advisers and Broker

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

Auditors

Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
Cambridgeshire
CB4 0FY

Lawyers

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Bank

Lloyds TSB
3rd Floor Black Horse House
Castle Park
Cambridge
CB3 0AR

Financial Public Relations

Abchurch Communications Limited
125 Old Broad Street
London
EC2N 1AR

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Website

www.sagentia.com

Registered Office

Harston Mill
Harston
Cambridge
CB22 7GG

Company Number

06536543

Notes

Sagentia Group plc | Harston Mill | Harston | Cambridge | CB22 7GG | UK T. +44 1223 875200

www.sagentia.com
info@sagentia.com

SAGENTIA GROUP PLC