SAGENTIA

25 July 2011

SAGENTIA GROUP PLC

("Sagentia" or the "Group")

INTERIM RESULTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

Sagentia Group plc is an international technology consulting company providing outsourced R&D consultancy services from market analysis, through product development to transfer-to-manufacturing for the medical, consumer and industrial sectors.

Summary:

- Operating performance substantially ahead of expectations at start of year
- Underlying revenue growth rate of Consulting fees of 22%
- Operating profit increased by 101% to £2.3 million (H1 2010: £1.1 million)
- PBT increased by 114% to £2.0 million (H1 2010: £0.9 million)
- Basic EPS of 4.9p (H1 2010: 3.9p)
- Cash balance of £17.7 million (H1 2010: £12.5 million) and net funds of £10.1 million (H1 2010: £6.6 million)

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Interim Results 2011

Sagentia reports a strong operating performance in the six months ended 30 June 2011, reflecting significant organic growth in revenue and profits. The turnaround and recovery undertaken in 2010 has been sustained in the first half of 2011. Sagentia has delivered operating margins ahead of expectations and at the highest level for at least the last ten years. This improvement in revenue and profitability has been achieved in the context of a difficult general economic climate and while reducing operating risk through a migration from a fixed price to a time-and-materials operating model.

Consulting fees are derived from three industry sectors.

The Medical sector has had a particularly strong start to the year, resulting in this business now accounting for 72% of Consulting fees compared to 60% in H1 2010. The business unit typically undertakes large development projects for corporate or well-financed start-up organisations and the sector has built on the success of 2010 by winning new opportunities and growing existing accounts, particularly in the North American market.

The Consumer sector, which accounted for 15% of Consulting fees, services a core group of large multi-national clients and has been developing these relationships through improved account management. As a result, after a slow start to the year the business unit showed improved sales in the second quarter to report a performance broadly in line with the Board's expectations at the half year stage.

The Industrial sector, which accounted for 13% of Consulting fees, has a more diverse client base and had a slower start to the year, although this has been partly offset by a sensor product manufacturing requirement from a customer of the business.

In the period approximately 77% of the Group’s Consulting fees were derived from overseas markets (H1 2010: 67%), with North America accounting for approximately 65% (H1 2010: 45%). With North America contributing such a significant proportion of the Group’s business, the Board is continuing to invest in the Boston operation to support the Sagentia customer base.

The Board has continued to simplify the Group corporate structure and announced the sale of its holdings in Sensortec Limited and Atranova Limited at the beginning of the year. Furthermore, following a review of the Group’s operation in Hong Kong, it was decided to close this facility and service clients from Sagentia’s operations in Harston, UK and Boston, USA.

Group Financial Performance

In the six months ended 30 June 2011 the Group generated operating profit of £2.3 million (H1 2010: £1.1 million) on revenue of £12.6 million (H1 2010: £9.8 million) representing a 101% increase in operating profit and a 28% increase in revenues versus the equivalent period in 2010.

Consulting fees from Core operations were £9.7 million compared with £8.0 million on a comparative basis in H1 2010; a 21.8% year-on-year increase. Other Core revenues comprised product and licence income of £0.7 million, a significant increase on H1 2010 primarily as a result of a significant order from a client in the Industrial sector which is not anticipated to continue, and recharged project material revenues of £0.8 million.

The top five clients accounted for approximately 51%, and the top ten clients for approximately 69%, of the Core revenues (H1 2010: 39% and 54% respectively). This increased concentration in revenue from key clients reflects the scale of some of the projects, particularly in the Medical sector, in the first half of 2011 as well as the successful sell-on of projects to some of the Group's larger clients.

IT support revenues generated through Sagentia's wholly owned IT services company, Manage5Nines, were £0.4 million and related recharged project materials £0.2 million, consistent with the prior year period. Property income from sub-let space in the Harston Mill facility increased by 5.7% to £0.7 million (H1 2010: £0.6 million) from a total of 12 tenants. Whilst there is some spare capacity in the Harston Mill facility to accommodate expansion of the Sagentia consulting business there is currently no intention to make further space available to third party tenants.

Profit before tax of £2.0 million (H1 2010: £0.9 million) represents a 114% year-on-year increase and reflects a growth in margins from 9.6% to 16.0% of revenues. The Board considers that this operating margin level is towards the top-end of comparable companies of a similar size in the industry and has been enhanced by seasonal factors, such as employee vacation scheduling and an exceptional level of product sales in H1 2011.

Diluted earnings per share was 4.6 pence (H1 2010: 3.8 pence) with a basic earnings per share of 4.9 pence (H1 2010: 3.9 pence; the equivalent basic earnings per share for H1 2010 based on the number of shares in issue during the first half of 2011 would have been 2.3 pence).

Headcount, including contract resources, at 30 June 2011 was 175 (30 June 2010: 157 and 31 December 2010: 151) and these increased staffing levels in part reflect the increased use of contract staff in the second quarter of 2011. The Company is currently actively recruiting additional staff in both sales and engineering functions.

The Group has a robust balance sheet with Shareholder Funds at 30 June 2011 of £24.7 million, equivalent to 59 pence per share (H1 2010: Shareholder Funds of £21.3 million equivalent to 51 pence per share). Cash increased to £17.7 million (H1 2010: £12.5 million) as a result of improved operating cash flow and the bank loan refinancing undertaken in October 2010. Net funds at 30 June 2011 were £10.1 million (H1 2010: £6.6 million).

Prospects

Whilst firm forward order commitment is typically limited in the industry, Sagentia continues to experience good demand particularly in the Medical sector, where larger multi-phase projects are improving the Group's forward visibility. Furthermore, the Board continues to explore other opportunities which if successful would enhance forward visibility of revenues. As a result, the Group is investing to build on the achievements of 2010.

The Board continues to evaluate acquisition opportunities to accelerate the growth of the Group, although will remain prudent in considering any such opportunities.

In summary, the first half of 2011 has been a period of continued strong revenue growth and margin enhancement, enabling the Board to be cautiously optimistic about prospects for the year as a whole and providing the confidence to invest in the future development of Sagentia.

Consolidated Income Statement
For the period ended 30 June 2011

	Notes	**Six months ended 30 June 2011 (Unaudited)**	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December 2010 (Audited)
		£000	£000	£000
Revenue		**12,564**	9,845	20,821
Operating expenses		**(10,314)**	(8,717)	(18,278)
Operating profit	**4**	**2,250**	1,128	2,543
Gain on disposal of non-current asset investments		**15**	-	-
Change in fair value on financial assets		**-**	-	(417)
Share based payment charge		**(104)**	(63)	(63)
Profit before finance charges and tax	**4**	**2,161**	1,065	2,063
Finance costs		**(184)**	(142)	(608)
Finance income		**39**	6	346
Change in fair value of interest swap		**-**	13	351
Profit before income tax		**2,016**	942	2,152
Income tax credit		**20**	21	165
Profit for the period	**4**	**2,036**	**963**	**2,317**
Profit for the period attributable to:				
Equity holders of the parent		**2,036**	953	2,295
Non-controlling interests		**-**	10	22
Profit for the period		**2,036**	963	2,317
Earnings per share				
Earnings per share (basic)	**5**	**4.9p**	3.9p	7.0p
Earnings per share (diluted)	**5**	**4.6p**	3.8p	6.9p

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2011

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December 2010 (Audited)
	£000	£000	£000
Profit for the year	**2,036**	963	2,317
Other comprehensive income:			
Exchange differences on translating foreign operations	**(111)**	(65)	19
Other comprehensive income for the year, net of tax	**(111)**	(65)	19
Total comprehensive income for the year	**1,925**	898	2,336
Attributable to:			
Owners of the parent	**1,925**	888	2,314
Non-controlling interests	**-**	10	22
Total comprehensive income for the period	**1,925**	898	2,336

Consolidated Statement of Changes in Shareholders' Equity
For the period ended 30 June 2011

Group	Issued capital	Share premium	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders funds	Non-Controlling Interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010	**217**	**49**	**22,211**	**(699)**	**769**	**(9,846)**	**12,701**	48	**12,749**
New shares issued	200	7,800	-	-	-	-	**8,000**	-	**8,000**
Cost of placing	-	(331)	-	-	-	-	**(331)**	-	**(331)**
Share options adjustment	-	-	-	-	63	-	**63**	-	**63**
Transactions with owners	**200**	**7,469**	**-**		**63**	**-**	**7,732**	**-**	**7,732**
Profit for the year	-	-	-	-	-	953	**953**	10	**963**
Other comprehensive income:									
Exchange differences on translating foreign operations	**-**	**-**	**-**	(65)	**-**	**-**	**(65)**	-	**(65)**
Total comprehensive income for the period	**-**	**-**	**-**	**(65)**	**-**	**953**	**888**	**10**	**898**
Balance at 30 June 2010	**417**	**7,518**	**22,211**	**(764)**	**832**	**(8,893)**	**21,321**	**58**	**21,379**
Balance at 1 July 2010	**417**	**7,518**	**22,211**	**(764)**	**832**	**(8,893)**	**21,321**	**58**	**21,379**
New shares issued	-	-	-	-	-	-	**-**	-	-
Cost of placing	-	-	-	-	-	-	**-**	-	-
Share options adjustment	-	-	-	-	-	-	**-**	-	**-**
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year	-	-	-	-	-	1,342	**1,342**	12	**1,354**
Other comprehensive income:									
Exchange differences on translating foreign operations	**-**	**-**	**-**	84	**-**	**-**	**84**	-	**84**
Total comprehensive income for the period	**-**	**-**	**-**	**84**	**-**	**1,342**	**1,426**	**12**	**1,438**
Balance at 31 December 2010	**417**	**7,518**	**22,211**	**(680)**	**832**	**(7,551)**	**22,747**	**70**	**22,817**
Balance at 1 January 2011	**417**	**7,518**	**22,211**	**(680)**	**832**	**(7,551)**	**22,747**	**70**	**22,817**
New shares issued	-	-	-	-	-	-	**-**	-	-
Change in ownership interest *	-	-	-	-	-	(80)	**(80)**	(70)	**(150)**
Share options adjustment	-	-	-	-	104	-	**104**	-	**104**
Transactions with owners	**-**	**-**	**-**	**-**	**104**	**(80)**	**24**	**(70)**	**46**
Profit for the year	-	-	-	-	-	2,036	**2,036**	-	**2,036**
Other comprehensive income:									
Exchange differences on translating foreign operations	**-**	**-**	**-**	(111)	**-**	**-**	**(111)**	-	**(111)**
Total comprehensive income for the period	**-**	**-**	**-**	**(111)**	**-**	**2,036**	**1,925**	**-**	**1,925**
Balance at 30 June 2011	**417**	**7,518**	**22,211**	**(791)**	**936**	**(5,595)**	**24,696**	**-**	**24,696**

* On 14 January 2011 the Group purchased the remaining shares in Manage5Nines Limited held by third parties to give the Group a 100% interest. The cash consideration was £150,000 which has been recorded to equity as a change in ownership interest in a subsidiary.

Consolidated Statement of Financial Position
At 30 June 2011

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December 2010 (Audited)
	£000	£000	£000
Assets			
Non-current assets			
Property, plant and equipment	**14,141**	14,244	14,112
Non-current assets clarified as held for sale	**802**	1,441	1,024
Deferred income tax assets	**3,240**	3,128	3,240
	18,183	18,813	18,376
Current assets			
Trade and other receivables	**4,170**	4,998	4,087
Cash and cash equivalents	**17,714**	12,455	16,430
	21,884	17,453	20,517
Total assets	**40,067**	36,266	38,893
Liabilities			
Current liabilities			
Trade and other payables	**5,099**	5,858	5,427
Current tax liabilities	**1**	46	38
Borrowings	**835**	5,500	800
	5,935	11,404	6,265
Non-current liabilities			
Borrowings	**6,731**	405	7,080
Other creditors	**171**	173	167
Financial instruments	**-**	337	-
Deferred income tax liabilities	**2,534**	2,568	2,564
	9,436	3,483	9,811
Total liabilities	**15,371**	14,887	16,076
Net assets	**24,696**	21,379	22,817
Shareholders' equity			
Share capital	**417**	417	417
Share premium	**7,518**	7,518	7,518
Merger reserve	**22,211**	22,211	22,211
Translation reserves	**(791)**	(764)	(680)
Share based payment reserve	**936**	832	832
Retained earnings	**(5,595)**	(8,893)	(7,551)
	24,696	21,321	22,747
Minority interest	**-**	58	70
Total equity	**24,696**	21,379	22,817

Consolidated Statement of Cash Flows
For the period ended 30 June 2011

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December 2010 (Audited)
	£000	£000	£000
Profit before income tax	**2,016**	942	2,152
Depreciation and amortisation charges	**116**	167	322
Loss on disposal of property, plant and equipment	**-**	-	72
Gain on disposal of non-current asset investments	**(15)**	-	-
Change in fair value of held for sale assets	**-**	-	417
Change in fair value of interest rate swap	**-**	(14)	(351)
Share based payment charge	**104**	63	63
Write back of loans by non-controlling interests to subsidiary undertakings	**-**	-	(285)
(Increase) decrease receivables	**(83)**	(998)	(87)
(Decrease) increase in payables	**(329)**	1,437	1,101
Cash generated from operations	**1,809**	1,597	3,404
UK corporation tax (paid) received (net)	**(63)**	-	33
Foreign corporation tax received (net)	**16**	24	11
Cash flows from operating activities	**1,762**	1,621	3,448
Purchase of property, plant and equipment	**(145)**	(110)	(169)
Purchase of subsidiary undertaking	**(150)**	-	-
Proceeds from sale of property, plant and equipment	**-**	39	-
Sale of current asset investments	**238**	-	-
Cash flow from investing activities	**(57)**	(71)	(169)
Issue of ordinary share capital	**-**	8,000	8,000
Placement costs	**-**	(331)	(331)
Proceeds from bank loans	**-**	-	8,000
Repayment of loans	**(400)**	(1,000)	(6,700)
Proceeds from other loans	**90**	-	-
Repayment of other loans	**(6)**	-	-
Cash flows from financing activities	**(316)**	6,669	8,969
Increase in cash and cash equivalents in the period	**1,389**	8,219	12,248
Cash and cash equivalents at the beginning of the period	**16,430**	4,234	4,234
Exchange profit (loss) on cash	**(105)**	2	(52)
Cash and cash equivalents at the end of the period	**17,714**	12,455	16,430

Extracts from notes to the financial statements

1. General information

The financial information for the 6 months ended 30 June 2011 set out in this interim report is unaudited and does not constitute statutory accounts as defined Section 434 of the Companies Act 2006. The financial information included has been extracted from the 2010 Financial Statements of Sagentia Group plc. The Group's statutory financial statements for the year ended 31 December 2010 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

These un-audited interim results have been approved for issue by the Board of Directors on 22 July 2011.

The group and company financial statements of Sagentia Group plc for the year ended 31 December 2010 were prepared under IFRS and have been audited by Grant Thornton UK LLP. Copies of the Financial Statements are available from the company's registered office; Harston Mill, Harston, Cambridge, CB22 7GG and can be found on the company's website at www.sagentia.com.

Sagentia Group plc ('Sagentia' or 'Company') and its subsidiaries (together 'Sagentia' or 'Group') is a technology consulting and IP exploitation organisation. Sagentia creates, develops and delivers business opportunities, products and services for its clients in the Medical, Industrial and Consumer industries. Sagentia's facilities include offices and laboratories located in Europe in Cambridge and in the US in Boston.

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

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

2. Accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are unchanged from those set out in the financial statements for the year-ended 31 December 2010. These policies have been consistently applied to all the periods presented.

2.1 Basis of preparation

These interim consolidated financial statements are for the six months ended 30 June 2011. They have been prepared based on the measurement and recognition principles of International Financial Reporting Standards (IFRS) and IFRC interpretations issued and effective at the time of preparing these statements.

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

3. Financial risk management

3.1 Financial risk factors

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

4. Segmental information

Sagentia operates one main business segment, being ‘Core’ operations, which comprises the activities of its Medical, Consumer and Industrial sectors. The Group’s remaining activities are combined into ‘Other’ Operations. Core operations include all fees for services work undertaken, and product and licence income. Other operations include IT support services and property income.

Period ended 30 June 2011 (Unaudited)	**Core**	**Other**	**Total**
	£000	**£000**	**£000**
Consulting fees	9,715	-	9,715
IT support	-	402	402
Property income	-	671	671
Recharged project materials	823	246	1,069
Product and licence income	707	-	707
Revenue	**11,245**	**1,319**	**12,564**
Operating profit	**1,985**	**265**	**2,250**
Gain on disposal of non-current asset investments			15
Change in fair value of financial assets			-
Share based payments			(104)
Profit before finance charges and tax			**2,161**
Finance charges			(145)
Profit before income tax			**2,016**
Tax income			20
Profit for the period			**2,036**

Period ended 30 June 2010 (Unaudited)	**Core**	**Other**	**Total**
	£000	**£000**	**£000**
Consulting fees	7,973	7	7,980
IT support	-	388	388
Property income	-	635	635
Recharged project materials	460	166	626
Product and licence income	216	-	216
Revenue	**8,649**	**1,196**	**9,845**
Operating profit	**902**	**226**	**1,128**
Change in fair value of financial assets			-
Share based payments			(63)
Profit before finance charges and tax			**1,065**
Finance charges			(123)
Profit before income tax			**942**
Tax income			21
Profit for the period			**963**

Year ended 31 December 2010 (Audited)	**Core**	**Other**	**Total**
	£000	**£000**	**£000**
Consulting fees	16,339	7	16,346
IT support	-	771	771
Property income	-	1,280	1,280
Recharged project materials	1,485	442	1,927
Product and licence income	497	-	497
Revenue	**18,321**	**2,500**	**20,821**
Operating profit	**2,186**	**357**	**2,543**
Change in fair value of financial assets			(417)
Share based payments			(63)
Profit before finance charges and tax			**2,063**
Finance charges			89
Profit before income tax			**2,152**
Tax income			165
Profit for the period			**2,317**

5. Earnings per share

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

	Six months ended 30 June 2011 (Unaudited)	Six months ended 30 June 2010 (Unaudited)	Year ended 31 December 2010 (Audited)
	£000	£000	£000
Profit for the financial period	**2,036**	963	2,317

Weighted average number of shares:	**Number**	Number	Number
For basic earnings per share	41,723,595	24,707,020	33,011,266
For fully diluted earnings per share	44,666,318	25,479,855	33,563,343

6. Critical accounting estimates and judgements

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

6.1 Critical accounting estimates and assumptions

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 fixed price consultancy projects. The state of completeness of each project, and hence, revenue recognised, requires the use of estimates. The value of work done is calculated based on proportion of time spent on the project or value of stage gates achieved as set out in the project.

(b) Fair value of investments

The fair value of unlisted investments held for sale requires the use of estimates and assumptions on both the recoverability and the ability to dispose of the shareholding for value on an individual investment basis.

- Ends -