

microgen

**microgen plc**  
*half yearly report*

2012

# Highlights

Microgen, the software and services provider to the global financial services, digital media and commercial sectors, reports unaudited results for the six months ended 30 June 2012.

## Highlights

- The Board is pleased to report a very satisfactory performance in difficult market conditions with results in line with first half market expectations. Current economic climate is impacting consultancy deployment and extending new business sales cycles
- Revenue of £17.0 million (H1, 2011: £19.0 million) with underlying growth in higher margin recurring revenue
- Operating profit of £4.4 million (H1, 2011: £4.5 million) demonstrates resilience of the Group's business model
- Microgen Aptitude Version 4 launched including 3D Navigator
- Basic EPS 4.2 pence (H1, 2011: 4.2 pence)
- Strong balance sheet with net funds at 30 June 2012 of £27.1 million (H1, 2011: £25.2 million) after returning £6.8 million of cash to shareholders in the last twelve months
- Interim dividend of 1.1 pence per share (2011: 1.1 pence per share)

Microgen reports revenue and profits in line with market expectations for the six months ended 30 June 2012. The macro-economic environment continues to be challenging, particularly in the banking sector, resulting in the deferment of purchasing decisions. Microgen's high performance technology, particularly Microgen Aptitude and Microgen Accounting Hub, continue to be recognised for their market leading capability but converting preferred supplier status into contracted business is protracted. Despite the current climate, Microgen has delivered a very satisfactory performance.

### **Group Financial Performance**

In the six months ended 30 June 2012, Group revenue was £17.0 million (H1, 2011: £19.0 million) with operating profit of £4.4 million (H1, 2011: £4.5 million). Basic earnings per share for the six months ended 30 June 2012 was 4.2 pence (H1, 2011: 4.2 pence). The Board has continued to determine that all internal research and development costs incurred in the period are expensed.

Cash generated from operations in the six months ended 30 June 2012 was £2.9 million (H1, 2011: £4.4 million) following strong cash collections at the year end and seasonal payments in the first half of 2012. The Group continues to have a strong balance sheet with net funds of £27.1 million at 30 June 2012 (30 June 2011: £25.2 million) after returning £6.8 million to shareholders in the last twelve months via ordinary and special dividends.

The interim dividend is maintained at 1.1 pence per share (2011: 1.1 pence per share). The dividend will be paid on 24 August 2012 to shareholders on the register as at 3 August 2012.

### **Microgen Aptitude Solutions Division ("MASD")**

MASD provides enterprise level application products and solutions to some of the world's largest financial institutions and digital media organisations, where the customers require very high speed processing of large volumes of complex, business-event driven transactions.

MASD revenue was £9.0 million (H1, 2011: £10.8 million) of which approximately 40% is now recurring (H1, 2011: 25%). MASD operating profit was £1.8 million (H1, 2011 : £2.0 million), representing an operating margin of 19.5% (H1, 2011: 19.0%).

During the first six months of the year a number of client licences have been extended as their use of Microgen's software has increased, in either functional, geographic or transaction volume terms. This has contributed to the 33% increase in the division's recurring revenue to £3.6 million (H1, 2011: £2.7 million). Nevertheless, as noted at the time of the final results for 2011, budgetary pressures pursuant to the current economic climate have led to reductions in the number of consultants deployed on projects. In addition, whilst Microgen Aptitude and Microgen Accounting Hub have been selected as

the preferred vendor solution in a number of new business sales opportunities, it is apparent that the final sales stages are extending and as such the Board's expectations for 2012 are dependent upon a number of sales opportunities closing in the second half of the year.

MASD has continued to invest in Microgen Aptitude and recently announced the results of performance tests at a third party test facility which demonstrated that Microgen Aptitude, the Enterprise Application Platform, has achieved 7 billion transactions per hour performing in-memory processing. Further tests, involving database to database processing, resulted in Microgen Aptitude achieving over 800 million transactions per hour. This performance confirms Microgen Aptitude's leadership in delivering the high transaction-processing performance required in addressing the challenges of "Big Data". Furthermore, at the end of June, Version 4 of Microgen Aptitude was launched together with a new 3D Navigator module. This new module, together with the additional functionality provided within Version 4 of Microgen Aptitude, further strengthen the product's market leading combination of functionality and transaction-processing performance.

## ***Financial Systems Division ("FSD")***

The Microgen Financial Systems Division operates in more mature sectors of the financial services software market. FSD combines proven, established applications with domain knowledge and expertise to deliver back office processing software and solutions in the Wealth Management, Banking and Asset Management sectors.

Reflecting the market maturity, revenue in FSD for the period ended 30 June 2012 was £8.0 million (H1, 2011: £8.3 million) of which 80% is recurring revenue. As a result of the Division's significant levels of high margin recurring revenue, FSD has maintained high operating margins at 50% (H1, 2011: 46%).

Whilst the Division continues to review the viability of a number of its smaller product categories, the Group's strong balance sheet affords the Division the capability to evaluate add-on acquisitions in financial back office processing to complement its current market offerings, should appropriate opportunities arise.

***Statement on Principal Risks and Uncertainties***

Pursuant to the requirements of the Disclosure and Transparency Rules the Group provides the following information on its principal risks and uncertainties. The Group considers strategic, operational and financial risks and identifies actions to mitigate those risks. These risk profiles are updated at least annually. The principal risks and uncertainties detailed within the Group's 2011 Annual Report remain applicable for the final six months of the financial year. The Group's 2011 Annual Report is available from the Microgen website : [www.microgen.com](http://www.microgen.com).

Related party transactions during the period are disclosed in Note 14.

***Prospects***

The selection of Microgen Aptitude and Microgen Accounting Hub as the preferred vendor solution in a number of sales opportunities demonstrates the market leading capability of Microgen's technology. New business sales cycles have, however, been extended due to the effects of the macro-economic environment, particularly within the financial services sector to which Microgen has a material exposure. Whilst the Board's expectations for 2012 are dependent upon a number of sales opportunities closing in the second half of the year the Group's strong balance sheet, high level of recurring revenue and conservative operational approach provides resilience against the full effects of the market conditions.

# Interim Consolidated Income Statement

For the six months ended 30 June 2012

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Note	Unaudited six months ended 30 Jun 2012			Unaudited six months ended 30 Jun 2011			Audited year ended 31 Dec 2011		
	Before intangible amortisation £000	Intangible amortisation £000	Total £000	Before intangible amortisation £000	Intangible amortisation £000	Total £000	Before intangible amortisation £000	Intangible amortisation £000	Total £000
5	17,049	–	17,049	19,014	–	19,014	38,776	–	38,776
	(12,614)	(59)	(12,673)	(14,438)	(58)	(14,496)	(29,177)	(117)	(29,294)
5	4,435	(59)	4,376	4,576	(58)	4,518	9,599	(117)	9,482
	97	–	97	97	–	97	258	–	258
	–	–	–	(40)	–	(40)	(142)	–	(142)
	4,532	(59)	4,473	4,633	(58)	4,575	9,715	(117)	9,598
6			(1,074)			(1,144)			(2,348)
			3,399			3,431			7,250
7			4.2p			4.2p			8.9p
7			4.1p			4.0p			8.7p
		pence per share	£000			pence per share			pence per share
9			1,794			1,701			2,575
9			898			892			1,794
			–			–			4,070
			–			–			–

All results derive from continuing operations.

# Interim Consolidated Statement Of Comprehensive Income

For the six months ended 30 June 2012

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	Unaudited six months ended 30 Jun 2012 £000	Unaudited six months ended 30 Jun 2011 £000	Audited year ended 31 Dec 2011 £000
<b>Profit for the period</b>	<b>3,399</b>	<b>3,431</b>	<b>7,250</b>
<b>Other comprehensive income</b>			
Cash flow hedges, net of tax	198	70	(367)
Currency translation difference	(21)	41	(142)
<b>Other comprehensive income for the period, net of tax</b>	<b>177</b>	<b>111</b>	<b>(509)</b>
<b>Total comprehensive income for the period</b>	<b>3,576</b>	<b>3,542</b>	<b>6,741</b>

# Interim Consolidated Balance Sheet

As at 30 June 2012

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	Note	Unaudited as at 30 Jun 2012 £000	Unaudited as at 30 Jun 2011 £000	Audited as at 31 Dec 2011 £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	5,451	5,512	5,521
Goodwill		41,774	41,774	41,774
Intangible assets	10	59	177	118
Deferred income tax asset		1,311	1,384	1,324
		<u>48,595</u>	<u>48,847</u>	<u>48,737</u>
<b>Current assets</b>				
Trade and other receivables		4,975	6,461	5,611
Financial assets – derivative financial instruments		–	56	–
Cash and cash equivalents		27,125	26,866	26,971
		<u>32,100</u>	<u>33,383</u>	<u>32,582</u>
<b>Total assets</b>		<u>80,695</u>	<u>82,230</u>	<u>81,319</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Financial liabilities				
– borrowings associated with property	11	–	(370)	–
– derivative financial instruments		(156)	(40)	(353)
Trade and other payables		(17,441)	(18,330)	(19,981)
Current income tax liabilities		(1,015)	(842)	(768)
Provisions for other liabilities and charges	12	(107)	–	(107)
		<u>(18,719)</u>	<u>(19,582)</u>	<u>(21,209)</u>
<b>Net current assets</b>		<u>13,381</u>	<u>13,801</u>	<u>11,373</u>
<b>Non-current liabilities</b>				
Financial liabilities				
– borrowings associated with property	11	–	(1,297)	–
Provisions for other liabilities and charges	12	(134)	(151)	(135)
		<u>(134)</u>	<u>(1,448)</u>	<u>(135)</u>
<b>NET ASSETS</b>		<u>61,842</u>	<u>61,200</u>	<u>59,975</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	13	4,083	4,055	4,069
Share premium account	13	11,876	11,693	11,842
Capital redemption reserve		1,146	1,146	1,146
Other reserves		36,817	37,136	36,619
Retained earnings		7,920	7,170	6,299
<b>TOTAL EQUITY</b>		<u>61,842</u>	<u>61,200</u>	<u>59,975</u>



# Interim Consolidated Statement of **microgen** Changes in Equity

For the six months ended 30 June 2012

	Share Capital £000	Share premium £000	Retained earnings £000	Capital Redemption Reserve £000	Other reserves £000	Total £000
At 1 January 2012	4,069	11,842	6,299	1,146	36,619	59,975
<b>Comprehensive income</b>						
Profit for the period	–	–	3,399	–	–	3,399
Cash flow hedges – net fair value gains net of tax	–	–	–	–	198	198
Exchange rate adjustments	–	–	(21)	–	–	(21)
<b>Total comprehensive income</b>	–	–	3,378	–	198	3,576
Proceeds from shares issued	14	34	–	–	–	48
Value of employee service	–	–	37	–	–	37
Dividends paid	–	–	(1,794)	–	–	(1,794)
<b>Total Contributions by and distributions to owners of the company recognised directly into equity</b>	14	34	(1,757)	–	–	(1,709)
<b>At 30 June 2012 (unaudited)</b>	<b>4,083</b>	<b>11,876</b>	<b>7,920</b>	<b>1,146</b>	<b>36,817</b>	<b>61,842</b>

	Share Capital £000	Share premium £000	Retained earnings £000	Capital Redemption Reserve £000	Other reserves £000	Total £000
At 1 January 2011	4,041	11,531	5,354	1,146	37,066	59,138
<b>Comprehensive income</b>						
Profit for the period	–	–	3,431	–	–	3,431
Cash flow hedges – net fair value gains net of tax	–	–	–	–	70	70
Exchange rate adjustments	–	–	41	–	–	41
<b>Total comprehensive income</b>	–	–	3,472	–	70	3,542
Proceeds from shares issued	14	162	–	–	–	176
Value of employee service	–	–	45	–	–	45
Dividends paid	–	–	(1,701)	–	–	(1,701)
<b>Total Contributions by and distributions to owners of the company recognised directly into equity</b>	14	162	(1,656)	–	–	(1,480)
<b>At 30 June 2011 (unaudited)</b>	<b>4,055</b>	<b>11,693</b>	<b>7,170</b>	<b>1,146</b>	<b>37,136</b>	<b>61,200</b>

# Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

**microgen**

	Note	Unaudited as at 30 Jun 2012 £000	Unaudited as at 30 Jun 2011 £000	Audited as at 31 Dec 2011 £000
<b>Cash flows from operating activities</b>				
Cash generated from operations	8	2,901	4,448	12,542
Interest paid		–	(40)	(156)
Income tax paid		(827)	(691)	(1,758)
Net cash generated from operating activities		2,074	3,717	10,628
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	10	(267)	(685)	(1,171)
Interest received		97	97	186
Net cash used in investing activities		(170)	(588)	(985)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital	13	48	176	395
Dividends paid	9	(1,794)	(1,701)	(6,645)
Repayment of mortgage	11	–	(185)	(1,852)
Net cash used in financing activities		(1,746)	(1,710)	(8,102)
<b>Net increase in cash and cash equivalents</b>				
Opening cash and cash equivalents		26,971	25,419	25,412
Effects of exchange rate changes		(4)	35	18
<b>Closing cash and cash equivalents</b>		<b>27,125</b>	<b>26,866</b>	<b>26,971</b>

# **Notes to the condensed interim financial statements**

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## **1. General information**

Microgen plc (the 'Company') and its subsidiaries (together, the 'Group') provide software and services to the global financial services, digital media and commercial sectors.

The Company is a public limited company incorporated and domiciled in England and Wales with a primary listing on the London Stock Exchange. The address of its registered office is Old Change House, 128 Queen Victoria Street, London, England, EC4V 4BJ.

These condensed consolidated interim financial statements were approved for issue on 20 July 2012.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 were approved by the Board of directors on 24 February 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

## **2. Basis of preparation**

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. These condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs as adopted by the European Union.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

## **3. Accounting policies**

The accounting policies adopted are consistent with those of the previous financial statements, except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profits.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date. There are no new IFRSs or IFRICs that are effective for the first time for this interim period that would be expected to have a material impact on the group.

# Notes to the condensed interim financial statements

**microgen**

## 4. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

## 5. Segmental information

The Board of Microgen plc has been identified as the chief operating decision-maker of Microgen. Management has determined the operating segments of the group based on the reports provided to the Board of Microgen plc.

	<b>Unaudited six months ended</b>		
	<b>30 Jun 2012</b>		
	<b>Microgen Aptitude Solutions £000</b>	<b>Financial Systems £000</b>	<b>Total £000</b>
Revenue	9,038	8,011	17,049
Operating costs before group overheads	<u>(7,277)</u>	<u>(3,980)</u>	<u>(11,257)</u>
<b>Operating profit before group overheads</b>	<b>1,761</b>	<b>4,031</b>	<b>5,792</b>
Group overheads			<u>(1,357)</u>
<b>Operating profit before intangible amortisation</b>			<b>4,435</b>
Divisional intangible amortisation	<u>–</u>	<u>(59)</u>	<u>(59)</u>
Divisional operating profit	<u>1,761</u>	<u>3,972</u>	
<b>Operating profit</b>			<b>4,376</b>
Finance income			<u>97</u>
<b>Profit before tax</b>			<b>4,473</b>
Income tax expense			<u>(1,074)</u>
<b>Profit for the period</b>			<b>3,399</b>

# Notes to the condensed interim financial statements

**microgen**

## 5. Segmental information (continued)

	Unaudited six months ended 30 Jun 2011		
	Microgen Aptitude Solutions £000	Financial Systems £000	Total £000
Revenue	10,763	8,251	19,014
Operating costs before group overheads	<u>(8,719)</u>	<u>(4,410)</u>	<u>(13,129)</u>
<b>Operating profit before group overheads</b>	2,044	3,841	5,885
Group overheads			<u>(1,309)</u>
<b>Operating profit before intangible amortisation</b>			4,576
Divisional intangible amortisation	<u>–</u>	<u>(58)</u>	<u>(58)</u>
Divisional operating profit	<u>2,044</u>	<u>3,783</u>	<u>–</u>
<b>Operating profit</b>			4,518
Net finance income			<u>57</u>
<b>Profit before tax</b>			4,575
Income tax expense			<u>(1,144)</u>
<b>Profit for the period</b>			<u><u>3,431</u></u>

# Notes to the condensed interim financial statements

**microgen**

## 5. Segmental information (continued)

	Audited year ended 31 Dec 2011		
	Microgen Aptitude Solutions £000	Financial Systems £000	Total £000
Revenue	21,799	16,977	38,776
Operating costs before group overheads	<u>(17,590)</u>	<u>(8,983)</u>	<u>(26,573)</u>
<b>Operating profit before group overheads</b>	4,209	7,994	12,203
Group overheads			<u>(2,604)</u>
<b>Operating profit before intangible amortisation</b>			9,599
Divisional intangible amortisation	<u>–</u>	<u>(117)</u>	<u>(117)</u>
Divisional operating profit	<u>4,209</u>	<u>7,877</u>	<u>–</u>
<b>Operating profit</b>			9,482
Net finance income			<u>116</u>
<b>Profit before income tax</b>			9,598
Income tax expense			<u>(2,348)</u>
<b>Profit for the year</b>			<u><u>7,250</u></u>

## 6. Income taxes

Income tax expense is recognised based on management's estimate of the weighted average income tax rate expected for the full financial year of 24% (the estimated tax rate for the six months ended 30 June 2011 was 25%).

# Notes to the condensed interim financial statements

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## 7. Earnings per share

	Unaudited six months ended 30 Jun 2012 pence	Unaudited six months ended 30 Jun 2011 pence	Audited year ended 31 Dec 2011 Pence
<b>Earnings per share</b>			
Basic	<u>4.2</u>	<u>4.2</u>	<u>8.9</u>
Diluted	<u>4.1</u>	<u>4.0</u>	<u>8.7</u>
<b>Adjusted earnings per share</b>			
Basic	<u>4.2</u>	<u>4.2</u>	<u>8.6</u>
Diluted	<u>4.1</u>	<u>4.0</u>	<u>8.4</u>

To provide an indication of the underlying operating performance the adjusted earnings per share calculation above excludes intangible amortisation, exceptional items and has a tax charge based on the effective rate.

	Unaudited six months ended 30 Jun 2012 pence	Unaudited six months ended 30 Jun 2011 pence	Audited year ended 31 Dec 2011 pence
Basic earnings per share	4.2	4.2	8.9
Prior years' tax charge	–	–	(0.1)
Intangible amortisation net of tax	0.1	0.1	0.1
Tax losses recognised	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.3)</u>
Adjusted earnings per share	<u><u>4.2</u></u>	<u><u>4.2</u></u>	<u><u>8.6</u></u>

# Notes to the condensed interim financial statements

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## 8. Cash generated from operations

	Unaudited six months ended 30 Jun 2012 £000	Unaudited six months ended 30 Jun 2011 £000	Audited year ended 31 Dec 2011 £000
<b>Profit before tax</b>	<b>4,473</b>	4,575	9,598
<b>Adjusted for:</b>			
Depreciation	<b>337</b>	330	739
Amortisation of intangible assets	<b>59</b>	58	117
Share-based payment expense	<b>34</b>	45	115
Finance income	<b>(97)</b>	(97)	(258)
Finance costs	<b>-</b>	40	142
<b>Changes in working capital:</b>			
Decrease/ (increase) in receivables	<b>636</b>	(490)	360
(Decrease)/ increase in payables	<b>(2,540)</b>	125	1,776
(Decrease) in provisions	<b>(1)</b>	(138)	(47)
<b>Cash generated from operations</b>	<b><u>2,901</u></b>	<u>4,448</u>	<u>12,542</u>

## 9. Dividends

The interim dividend of 1.1 pence per share (2011: 1.1 pence per share) was approved by the Board on 20 July 2012. It is payable on 24 August 2012 to shareholders on the register at 3 August 2012.

This interim dividend, amounting to £898,000 (2011: £892,000), has not been included as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2012.

The final dividend that relates to the period to 31 December 2011 amounting to £1,794,000 was paid in May 2012 (2011: £1,701,000).



# Notes to the condensed interim financial statements

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## 10. Property, plant and equipment and intangible assets

	Tangible assets £000	Intangible assets £000
<b>Six months ended 30 June 2012</b>		
Opening net book amount 1 January 2012	5,521	118
Additions	267	–
Depreciation and amortisation	<u>(337)</u>	<u>(59)</u>
Closing net book amount 30 June 2012 (unaudited)	<u>5,451</u>	<u>59</u>
	Tangible assets £000	Intangible Assets £000
<b>Six months ended 30 June 2011</b>		
Opening net book amount 1 January 2011	5,157	235
Additions	685	–
Depreciation and amortisation	<u>(330)</u>	<u>(58)</u>
Closing net book amount 30 June 2011 (unaudited)	<u>5,512</u>	<u>177</u>

The group have placed contracts for £10,000 of future capital expenditure which has not been provided for in the financial statements.

## 11. Borrowings and loans

	Unaudited six months ended 30 Jun 2012 £000	Unaudited six months ended 30 Jun 2011 £000	Audited year ended 31 Dec 2011 £000
Non-current	–	1,297	–
Current	<u>–</u>	<u>370</u>	<u>–</u>
	<u>–</u>	<u>1,667</u>	<u>–</u>

The bank loan was repaid in full on 29 September 2011.

	£000
<b>Six months ended 30 June 2011</b>	
Opening amount as at 1 January 2011	1,852
Repayments of borrowings	<u>(185)</u>
Closing amount as at 30 June 2011	<u>1,667</u>

# Notes to the condensed interim financial statements

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## 12. Provisions for other liabilities and charges

	Unaudited six months ended 30 Jun 2012 £000	Unaudited six months ended 30 Jun 2011 £000
<b>Property provision</b>		
<b>At 1 January</b>	<b>242</b>	289
Utilised	–	(71)
(Credited) to income statement	–	(67)
Foreign exchange	<b>(1)</b>	–
<b>At 30 June</b>	<b><u>241</u></b>	<b><u>151</u></b>

## 13. Share capital

	Number of shares (thousands)	Ordinary shares £000	Share premium £000	Total £000
<b>Six months ended 30 June 2012</b>				
Opening balance as at 1 January 2012	<b>81,396</b>	<b>4,069</b>	<b>11,842</b>	<b>15,911</b>
Proceeds from shares issued – employee share option scheme	<b><u>283</u></b>	<b><u>14</u></b>	<b><u>34</u></b>	<b><u>48</u></b>
Closing balance as at 30 June 2012	<b><u>81,679</u></b>	<b><u>4,083</u></b>	<b><u>11,876</u></b>	<b><u>15,959</u></b>
	Number of shares (thousands)	Ordinary shares £000	Share premium £000	Total £000
<b>Six months ended 30 June 2011</b>				
Opening balance as at 1 January 2011	80,839	4,041	11,531	15,572
Proceeds from shares issued – employee share option scheme	<b><u>281</u></b>	<b><u>14</u></b>	<b><u>162</u></b>	<b><u>176</u></b>
Closing balance as at 30 June 2011	<b><u>81,120</u></b>	<b><u>4,055</u></b>	<b><u>11,693</u></b>	<b><u>15,748</u></b>

Employee share option scheme: options exercised during the six month period ended 30 June 2012 resulted in 282,701 shares being issued (30 June 2011: 281,336), with exercise proceeds of £48,000 (30 June 2011: £176,000). The related weighted average share price at the time of exercise was £1.43 (30 June 2011: £1.39) per share.

#### **14. Related party transactions**

Microgen's Chairman, Mr Ratcliffe is also the chairman of RM plc. RM Education plc, a subsidiary of RM plc, engaged a subsidiary of Microgen plc to provide software and services. During the six month period ended 30 June 2012, the amounts invoiced were £258,000 (2011: £nil). Furthermore, RM Education plc has entered into a contract with the Group to utilise Microgen's software and services for RM Books, with some of the fees based on future transaction volumes.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. There were no other related party transactions during the six month period ended 30 June 2012 (30 June 2011: nil), as defined by International Accounting Standard No 24 'Related Party Disclosures' except for key management compensation.

The related party transactions for the year ended 31 December 2011 as defined by International Accounting Standard No 24 'Related Party Disclosures' are disclosed in note 28 of the Microgen plc Annual Report for the year ended 31 December 2011.

#### **15. Statement of directors' responsibilities**

The directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the half yearly management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Microgen plc are listed in the Microgen plc Annual Report for 31 December 2011, with the exception of Mr P Davies and Mr R Kanter, who both retired on 24 April 2012. A list of current directors is maintained on the Microgen plc website: [www.microgen.com](http://www.microgen.com).

Copies of this statement are being posted to shareholders and will also be available on the investor relations page of our website ([www.microgen.com](http://www.microgen.com)). Further copies are available from the Company Secretary at Old Change House, 128 Queen Victoria Street, London, EC4V 4BJ.

By order of the Board

**P Wood**

20 July 2012

Group Finance Director

# **Independent review**

## *report to Microgen plc*

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### **Introduction**

We have been engaged by the company to review the condensed consolidated interim financial statements in the interim financial report for the six months ended 30 June 2012, which comprises the Interim consolidated income statement, Interim consolidated statement of comprehensive income, Interim consolidated balance sheet, Interim consolidated statement of changes in equity, Interim consolidated statement of cash flows, comparative figures and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# **Independent review** *report to Microgen plc*

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## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
20 July 2012

## Notes

- 1) The maintenance and integrity of the Microgen plc's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- 2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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