

microgen

microgen plc
interim report

2013

Highlights

Microgen, the software and services provider, reports unaudited results for the six months ended 30 June 2013.

Highlights

- Satisfactory performance with good operating margins and high recurring revenues.
- Microgen Aptitude Solutions Division annual software licence and recurring revenue growth of 10%.
- Operating margins increased to 30% (H1, 2012: 26%). Operating profit maintained at £4.4 million.
- Basic EPS 4.2 pence (H1, 2012: 4.2 pence).
- Strong balance sheet with net cash at 30 June 2013 of £26.8 million (H1, 2012: £27.1 million) after returning £7.2 million of cash to shareholders in the last twelve months.
- Interim dividend of 1.1 pence per share (2012: 1.1 pence per share).

Microgen reports a satisfactory performance for the six months ended 30 June 2013 with good operating margins and high recurring revenues.

Group Financial Performance

In the six months ended 30 June 2013, the proportion of higher margin annual software licences and other recurring revenue continued to grow in line with the Board's objective. As a result, Microgen reports operating profit in line with the first half of 2012 despite an overall decline in revenue, as anticipated, to £14.9 million (H1, 2012: £17.0 million), of which 67% (H1, 2012: 59%) is now recurring in nature.

Benefitting from the improvement in revenue mix the Group's operating margin has increased to 30% (H1, 2012: 26%) representing an operating profit of £4.4 million (H1, 2012: £4.4 million). Basic earnings per share was 4.2 pence (H1, 2012: 4.2 pence). The Board has continued to determine that all internal research and development costs incurred in the period are expensed.

The Group maintains its strong balance sheet with net funds of £26.8 million at 30 June 2013 (H1, 2012: £27.1 million) after returning £7.2 million to shareholders in the last twelve months via ordinary and special dividends in addition to share buy backs. Cash generated from operations was £1.4 million (H1, 2012: £2.9 million) following very strong cash collections at the year end related to licence renewals.

The interim dividend is maintained at 1.1 pence per share (2012: 1.1 pence

per share). The dividend will be paid on 23 August 2013 to shareholders on the register as at 2 August 2013.

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 customers require very high volume (often referred to as "Big Data") processing of complex, business event-driven transactions.

Revenue from annual software licences and other recurring revenue grew by 10% to £4.0 million (H1, 2012: £3.6 million) and now represents 54% of the Division's revenue (H1, 2012: 40%) with operating margins increasing to 20.4% (H1, 2012: 19.5%). As a result of the growth in recurring revenues, offset by the anticipated decline in consultancy revenue, total Divisional revenue of £7.4 million was marginally up from H2 2012 (£7.3 million) but below H1 2012 revenue of £9.0 million. As would be expected at this stage of the year, the Board's expectations for MASD for 2013 are dependent upon a number of sales opportunities closing in the second half.

Modules for Liquidity and Profitability are now being demonstrated and new market sectors continue to be pursued with opportunities developing in Healthcare and Telecoms, as well as the established sectors of Finance and Digital Media, in both EMEA and North America. Discussions are also progressing with

both existing and potential new partners to develop further the Division's channel strategy through established global suppliers.

Financial Systems Division ("FSD")

The Financial Systems Division has a well-established customer base with 78% (H1, 2012: 74%) of Divisional revenue being derived from its core financial systems offerings which are primarily focussed on the wealth management and banking sectors. Reflecting the market maturity of the Division, the recurring revenues account for 80% (H1, 2012: 80%) of Divisional turnover.

Core financial systems reported revenue of £5.9 million (H1, 2012: £5.9 million) including £4.7 million of recurring revenue which is consistent with H1 2012.

Overall FSD reported revenue of £7.6 million (H1, 2012: £8.0 million) with the decline attributable, as anticipated, to the reduction in non-core activities to £1.7 million (H1, 2012: £2.1 million). Operating margins have increased to 54% (H1, 2012: 50%).

The Division's 5Series trust and fund software continues to make good progress. In the period a number of new customers contracted for 5Series, demonstrating the market leading functionality of the software following the product development investment made in recent years. In parallel, the Division continues to review the viability of a number of its smaller product offerings and non-core activities with a view to optimising profit contribution as these business lines approach end-of-life.

Strategic Review Update

In May 2013, having achieved the milestone of returning cash to shareholders equivalent to 100% of the Group's market capitalisation in October 2008, the Board announced that it considered that it was an appropriate time to review the future strategy of the Group, to ensure consistency with the objective of delivering and realising shareholder value over the medium term.

The Group's strong balance sheet provides diverse opportunities and the strategic review is therefore wide-ranging. Investec Bank plc is assisting the Board in this process which is anticipated to continue for several months.

***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 2012 Annual Report remain applicable for the final six months of the financial year. The Group's 2012 Annual Report is available from the Microgen website : www.microgen.com.

Related party transactions during the period are disclosed in Note 13.

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2013

microgen

	Note	Unaudited six months ended 30 Jun 2012			Unaudited six months ended 30 Jun 2012			Audited year ended 31 Dec 2012		
		Before intangible amortisation	Intangible amortisation	Total	Before intangible amortisation	Intangible amortisation	Total	Before intangible amortisation	Intangible amortisation	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	5	14,945	-	14,945	17,049	-	17,049	32,318	-	32,318
Operating costs		(10,502)	-	(10,502)	(12,614)	(59)	(12,673)	(23,187)	(118)	(23,305)
Operating profit	5	4,443	-	4,443	4,435	(59)	4,376	9,131	(118)	9,013
Finance income		67	-	67	97	-	97	174	-	174
Profit before income tax	6	4,510	-	4,510	4,532	(59)	4,473	9,305	(118)	9,187
Income tax expense		-	-	(1,037)	-	-	(1,074)	-	-	(2,238)
Profit for the period				3,473			3,399			6,949
Earnings per share				4.2p			4.1p			8.5p
Basic	7			4.2p			4.1p			8.5p
Diluted	7			4.2p			4.1p			8.3p

All results derive from continuing operations.

Condensed Consolidated Interim **microgen**

Statement Of Comprehensive Income

For the six months ended 30 June 2013

	Unaudited six months ended 30 Jun 2013 £000	Unaudited six months ended 30 Jun 2012 £000	Audited year ended 31 Dec 2012 £000
Profit for the period	3,473	3,399	6,949
Other comprehensive income			
Cash flow hedges, net of tax	(71)	198	409
Currency translation difference	(23)	(21)	80
Other comprehensive income for the period, net of tax	(94)	177	489
Total comprehensive income for the period	3,379	3,576	7,438

Condensed Consolidated Interim Balance Sheet

As at 30 June 2013

microgen

	Note	Unaudited as at 30 Jun 2013 £000	Unaudited as at 30 Jun 2012 £000	Audited as at 31 Dec 2012 £000
ASSETS				
Non-current assets				
Property, plant and equipment	10	5,277	5,451	5,391
Goodwill		41,774	41,774	41,774
Intangible assets	10	–	59	–
Deferred income tax assets		1,016	1,311	1,041
		<u>48,067</u>	<u>48,595</u>	<u>48,206</u>
Current assets				
Trade and other receivables		4,178	4,975	3,163
Financial assets – derivative financial instruments		51	–	69
Cash and cash equivalents		26,783	27,125	32,134
		<u>31,012</u>	<u>32,100</u>	<u>35,366</u>
Total assets		<u>79,079</u>	<u>80,695</u>	<u>83,572</u>
LIABILITIES				
Current liabilities				
Financial liabilities				
– derivative financial instruments		(67)	(156)	(15)
Trade and other payables		(15,416)	(17,441)	(17,845)
Current income tax liabilities		(1,146)	(1,015)	(742)
Provisions for other liabilities and charges	11	(38)	(107)	(42)
		<u>(16,667)</u>	<u>(18,719)</u>	<u>(18,644)</u>
Net current assets		<u>14,345</u>	<u>13,381</u>	<u>16,722</u>
Non-current liabilities				
Financial liabilities				
Provisions for other liabilities and charges	11	(255)	(134)	(256)
		<u>(255)</u>	<u>(134)</u>	<u>(256)</u>
NET ASSETS		<u>62,157</u>	<u>61,842</u>	<u>64,672</u>
SHAREHOLDERS' EQUITY				
Share capital	12	4,129	4,083	4,078
Share premium account	12	12,015	11,876	11,885
Capital redemption reserve		1,152	1,146	1,152
Other reserves		36,957	36,817	37,028
Retained earnings		7,904	7,920	10,529
TOTAL EQUITY		<u>62,157</u>	<u>61,842</u>	<u>64,672</u>

Condensed Consolidated Interim

microgen

Statement Of Changes In Equity

For the six months ended 30 June 2013

	Share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve £000	Other reserves £000	Total £000
Balance at 1 January 2013	4,078	11,885	10,529	1,152	37,028	64,672
Comprehensive income						
Profit for the period	-	-	3,473	-	-	3,473
Cash flow hedges						
- net fair value losses	-	-	-	-	(71)	(71)
Exchange rate adjustments	-	-	(23)	-	-	(23)
Total comprehensive income for the period	-	-	3,450	-	(71)	3,379
Shares issued under share option schemes	51	130	-	-	-	181
Share options – value of employee service	-	-	33	-	-	33
Dividends to equity holders of the company	-	-	(6,108)	-	-	(6,108)
Total Contributions by and distributions to owners of the company recognised directly into equity	51	130	(6,075)	-	-	(5,894)
Balance at 30 June 2013 (unaudited)	4,129	12,015	7,904	1,152	36,957	62,157

	Share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve £000	Other reserves £000	Total £000
Balance at 1 January 2012	4,069	11,842	6,299	1,146	36,619	59,975
Comprehensive income						
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)
Total comprehensive income for the period	-	-	3,378	-	198	3,576
Shares issued under share option schemes	14	34	-	-	-	48
Share options – value of employee service	-	-	37	-	-	37
Dividends to equity holders of the company	-	-	(1,794)	-	-	(1,794)
Total Contributions by and distributions to owners of the company recognised directly into equity	14	34	(1,757)	-	-	(1,709)
Balance at 30 June 2012 (unaudited)	4,083	11,876	7,920	1,146	36,817	61,842

Condensed Consolidated Interim Statements Of Cash Flow

For the six months ended 30 June 2013

microgen

	Note	Unaudited as at 30 Jun 2013 £000	Unaudited as at 30 Jun 2012 £000	Audited as at 31 Dec 2012 £000
Cash flows from operating activities				
Cash generated from operations	8	1,416	2,901	10,348
Income tax paid		(633)	(827)	(2,023)
Net cash generated from operating activities		783	2,074	8,325
Cash flows from investing activities				
Purchase of property, plant and equipment	10	(282)	(267)	(624)
Interest received		67	97	174
Net cash used in investing activities		(215)	(170)	(450)
Cash flows from financing activities				
Net proceeds from issuance of ordinary share capital	12	181	48	59
Dividends paid to company's shareholders	9	(6,108)	(1,794)	(2,691)
Purchase of own shares		-	-	(146)
Net cash used in financing activities		(5,927)	(1,746)	(2,778)
Net (decrease)/ increase in cash and cash equivalents		(5,359)	158	5,097
Cash and cash equivalents at beginning of period		32,134	26,971	26,971
Exchange rate gains/ (losses) on cash and cash equivalents		8	(4)	66
Cash and cash equivalents at end of period		26,783	27,125	32,134

Notes to the condensed **microgen** *consolidated interim financial statements*

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 19 July 2013.

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 2012 were approved by the Board of directors on 22 February 2013 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 2013 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 2012, 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 **microgen** *consolidated interim financial statements*

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 consolidated 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 2012, 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.

	Unaudited six months ended			
	30 Jun 2013			
	Microgen Aptitude Solutions £000	Financial Systems £000	Group £000	Total £000
Revenue	7,376	7,569	–	14,945
Operating costs	<u>(5,871)</u>	<u>(3,498)</u>	–	<u>(9,369)</u>
Operating profit before group overheads	1,505	4,071	–	5,576
Unallocated Group overheads			<u>(1,133)</u>	<u>(1,133)</u>
Operating profit/ (loss)	<u>1,505</u>	<u>4,071</u>	<u>(1,133)</u>	4,443
Finance income				<u>67</u>
Profit before tax				4,510
Income tax expense				<u>(1,037)</u>
Profit for the period				<u><u>3,473</u></u>

Notes to the condensed **microgen** *consolidated interim financial statements*

5. Segmental information (continued)

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

Notes to the condensed **microgen** *consolidated interim financial statements*

5. Segmental information (continued)

	Audited year ended 31 Dec 2012			
	Microgen Aptitude Solutions £000	Financial Systems £000	Group £000	Total £000
Revenue	16,316	16,002	–	32,318
Operating costs	<u>(13,388)</u>	<u>(7,588)</u>	<u>–</u>	<u>(20,976)</u>
Operating profit before group overheads	2,928	8,414	–	11,342
Unallocated Group overheads			(2,211)	<u>(2,211)</u>
Operating profit before intangible amortisation				9,131
Divisional intangible amortisation	<u>–</u>	<u>(118)</u>	<u>–</u>	<u>(118)</u>
Operating profit/ (loss)	<u>2,928</u>	<u>8,296</u>	<u>(2,211)</u>	9,013
Net finance income				<u>174</u>
Profit before tax				9,187
Income tax expense				<u>(2,238)</u>
Profit for the year				<u>6,949</u>

6. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average income tax rate expected for the full financial year of 23% (the estimated tax rate for the six months ended 30 June 2012 was 24%).

Notes to the condensed **microgen** *consolidated interim financial statements*

7. Earnings per share

	Unaudited six months ended 30 Jun 2013 pence	Unaudited six months ended 30 Jun 2012 pence	Audited year ended 31 Dec 2012 pence
Earnings per share			
Basic	<u>4.2</u>	<u>4.2</u>	<u>8.5</u>
Diluted	<u>4.2</u>	<u>4.1</u>	<u>8.3</u>
Adjusted earnings per share			
Basic	<u>4.2</u>	<u>4.2</u>	<u>8.5</u>
Diluted	<u>4.2</u>	<u>4.1</u>	<u>8.3</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 2013 pence	Unaudited six months ended 30 Jun 2012 pence	Audited year ended 31 Dec 2012 pence
Basic earnings per share	4.2	4.2	8.5
Prior years' tax charge	–	–	0.2
Intangible amortisation net of tax	–	0.1	0.1
Tax losses recognised	<u>–</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>8.5</u></u>

Notes to the condensed **microgen** *consolidated interim financial statements*

8. Cash generated from operations

	Unaudited six months ended 30 Jun 2013 £000	Unaudited six months ended 30 Jun 2012 £000	Audited year ended 31 Dec 2012 £000
Profit before tax	4,510	4,473	9,187
Adjustments for:			
Depreciation	389	337	788
Amortisation of intangible assets	–	59	118
Share-based payment expense	33	34	61
Finance income	(67)	(97)	(174)
Changes in working capital:			
(Increase)/ decrease in receivables	(1,015)	636	2,448
(Decrease) in payables	(2,429)	(2,540)	(2,136)
(Decrease)/ increase in provisions	(5)	(1)	56
Cash generated from operations	<u>1,416</u>	<u>2,901</u>	<u>10,348</u>

9. Dividends

The interim dividend of 1.1 pence per share (2012: 1.1 pence per share) was approved by the Board on 19 July 2013. It is payable on 23 August 2013 to shareholders on the register at 2 August 2013.

This interim dividend, amounting to £908,000 (2012: £898,000), 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 2013.

For the year to 31 December 2012, the final dividend amounting to £1,816,000 (2011: £1,794,000) and a special dividend of £4,292,000 (2011: nil) were paid in May 2013.

Notes to the condensed **microgen** *consolidated interim financial statements*

10. Property, plant and equipment and intangible assets

	Property, plant and equipment	
	£000	£000
Six months ended 30 June 2013		
Opening net book amount as at 1 January 2013	5,391	
Additions	282	
Exchange movements	(7)	
Depreciation	(389)	
Closing net book amount as at 30 June 2013 (unaudited)	<u>5,277</u>	
Six months ended 30 June 2012	Property, plant and equipment	Intangible Assets
	£000	£000
Opening net book amount as at 1 January 2012	5,521	118
Additions	267	–
Depreciation and amortisation	(337)	(59)
Closing net book amount as at 30 June 2012 (unaudited)	<u>5,451</u>	<u>59</u>

The group have placed contracts for £15,000 of future capital expenditure which have not been provided for in the financial statements.

Intangible assets had a nil net book value at 31 December 2012 and 30 June 2013.

11. Provisions for other liabilities and charges

	Property provision	
	Unaudited six months ended	Unaudited six months ended
	30 Jun 2013	30 Jun 2012
	£000	£000
At 1 January	298	242
Foreign exchange	(5)	(1)
At 30 June	<u>293</u>	<u>241</u>

Provisions have been analysed between current and non-current as follows:

	Property provision	
	Unaudited six months ended	Unaudited six months ended
	30 Jun 2013	30 Jun 2012
	£000	£000
Current	38	107
Non-current	255	134
At 30 June	<u>293</u>	<u>241</u>

Notes to the condensed **microgen** *consolidated interim financial statements*

12. Share capital

	Number of shares (thousands)	Ordinary shares £000	Share premium £000	Total £000
Six months ended 30 June 2013				
Opening balance as at 1 January 2013	81,582	4,078	11,885	15,963
Issued under share option schemes	<u>1,010</u>	<u>51</u>	<u>130</u>	<u>181</u>
Closing balance as at 30 June 2013 (unaudited)	<u>82,592</u>	<u>4,129</u>	<u>12,015</u>	<u>16,144</u>
	Number of shares (thousands)	Ordinary shares £000	Share premium £000	Total £000
Six months ended 30 June 2012				
Opening balance as at 1 January 2012	81,396	4,069	11,842	15,911
Issued under share option schemes	<u>283</u>	<u>14</u>	<u>34</u>	<u>48</u>
Closing balance as at 30 June 2012 (unaudited)	<u>81,679</u>	<u>4,083</u>	<u>11,876</u>	<u>15,959</u>

Employee share option scheme: options exercised during the six month period ended 30 June 2013 resulted in 1,010,060 shares being issued (30 June 2012: 282,701), with exercise proceeds of £181,000 (30 June 2012: £48,000). The related weighted average share price at the time of exercise was £1.19 (30 June 2012: £1.43) per share.

13. Related party transactions

Microgen's Chairman, Mr Ratcliffe was Executive Chairman of RM plc until 30 April 2013. During the six month period to 30 June 2013, the amounts invoiced for software and services to RM Education Limited, a subsidiary of RM plc, excluding VAT, were £68,000 (2012: £258,000). At 30 June 2013 £44,000 was owed by RM Education Limited (2012: £nil).

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 2013 (30 June 2012: 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 2012 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 2012.

Notes to the condensed **microgen** *consolidated interim financial statements*

14. Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim 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 2012. A list of current directors is maintained on the Microgen plc website: 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). Further copies are available from the Company Secretary at Old Change House, 128 Queen Victoria Street, London, England, EC4V 4BJ.

By order of the Board

P Wood

19 July 2013

Group Finance Director

Independent review *report to Microgen plc*

microgen

Introduction

We have been engaged by the company to review the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2013, which comprises the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in equity, condensed consolidated interim statements of cash flow and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

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 Conduct 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 consolidated interim 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.

The maintenance and integrity of the Microgen plc 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim 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 Conduct 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

Independent review
report to Microgen plc

microgen

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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2013 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 Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London

19 July 2013

microgen

Old Change House, 128 Queen Victoria Street, London EC4V 4BJ.

Telephone: 020 7496 8100. Facsimile: 020 7496 8101

web: www.microgen.com Company Registered Number: 1602662