microgen plc

interim report

2015

Highlights

Microgen reports its unaudited results for the six months ended 30 June 2015.

- Revenue growth of 7% to £15.8 million (H1, 2014: £14.7 million). 88% of 2015 planned revenue now contracted with good visibility of 98% of current year plan revenue*
- Group adjusted operating profit increased to £3.9 million (H1, 2014: £3.7 million)**. Group operating profit on a statutory basis of £3.9 million (H1, 2014: £3.3 million)
- Adjusted basic earnings per share increased 19% to 4.3 pence (H1, 2014: 3.6 pence). Basic earnings per share increased to 4.2 pence (H1, 2014: 3.2 pence)
- Interim dividend increased by 27% to 1.4 pence per share (2014: 1.1 pence per share)
- Strong balance sheet with cash of £15.6 million (H1, 2014: £37.9 million) and net funds of £0.9 million (H1, 2014: £20.2 million) following corporate cash outflows of £23.6 million in the past 12 months (returns to shareholders and acquisition consideration)

Aptitude Software

- Performance ahead of Board expectations led by strong demand for services from customer base both in North America and Europe
- Revenue growth of 13% to £8.5 million (H1, 2014: £7.6 million)
- Operating profit increase of 25% to £1.0 million (H1, 2014: £0.8 million)
- Continued progress in the telecommunications sector with Aptitude Revenue Recognition Engine licensed to a further major North American telco in July 2015

Financial Systems

- Acquisition of Jobstream Group Limited separately announced today, following on from the acquisition of Unity Software (December 2014) and Finalysys (June 2015)
- Revenue of £7.3 million (H1, 2014: £7.2 million) in line with Board expectations
- Adjusted operating margin 49% (H1, 2014: 50%)**
- Trust & Fund Administration revenue growth of 20% to £2.7 million (H1, 2014: £2.3 million)

*Revenue from recent acquisition of Jobstream Group Limited excluded from calculations

**Throughout this statement adjusted operating profit and margin excludes non-underlying items, unless stated to the contrary

Microgen plc has continued its track record of resilient financial performance and has made good strategic progress in both of its operating businesses. Organic revenue growth and increasing profitability are reported in Aptitude Software together with further penetration into the telecom sector. Within the Financial Systems business, growth in the Trust & Fund Administration product segment more than offset the decline in other areas, a trend anticipated to continue following the acquisition of Jobstream Group Limited announced today, which further strengthens the Group's position as a leading provider in this market.

Aptitude Software Report

The Aptitude Software business ("ASL") has reported financial performance ahead of the Board's expectations. In addition to this organic growth and increasing profitability, ASL has also increased penetration into the telecommunications sector with a major new North American telco contract following the period end for the Aptitude-based Revenue Recognition Engine application.

The business has seen strong demand for services from the Aptitude Software customer base, both in North America and Europe contributing to revenue growth of 13% to £8.5 million (H1, 2014: £7.6 million). Services revenue grew to £3.9 million (H1, 2014: £3.1 million) whilst software revenue increased to £4.6 million (H1, 2014: £4.5 million) with the benefit of recent new Aptitude wins more than compensating for the end-of-life of the legacy OST-BR product in 2014. The revenue growth has produced an increase in operating profit to £1.0 million (H1, 2014: £0.8 million), a margin of 12% (H1, 2014: 11%).

In terms of product development investment, ASL continues to extend the multi-platform capability of Aptitude with an interface to SAP HANA scheduled for release in the second half of the year. This multi-platform strategy will then include not only traditional platform suppliers such as Oracle, IBM and Teradata, but also new emerging platforms such as SAP HANA and Hadoop. Combined with the application model focussing on high performance finance engines (such as the Aptitude Revenue Recognition Engine and Aptitude Allocation Engine) which have been launched since the 2013 strategic review, the multi-platform approach continues to expand the market opportunity for Aptitude.

Financial Systems Report

A strategic objective of the Financial Systems business is to increase the proportion of its revenues from the Trust & Fund Administration ("T&FA") sector, where the key product Microgen 5Series has continued to make good progress in 2015 with several new business contracts signed. T&FA revenues grew by 20% to £2.7 million (H1, 2014: £2.3 million) representing 37% of Financial Systems' revenue (H1, 2014: 32%).

This strategy is further enhanced by the announcement today of the acquisition of Jobstream Group Limited ("Jobstream"). This follows the successful integration of Unity

Software, acquired in December 2014, and the June 2015 acquisition of Finalysys. Jobstream provides T&FA software principally for the offshore finance industry and further increases the client and recurring revenue base in this product category. The Board continues to believe that the strategy of consolidation in this fragmented market sector, as set out in the 2013 strategic review, offers an attractive opportunity to shareholders and the T&FA category would now exceed 40% of Financial Systems' revenue on a pro-forma basis.

Revenue from the payment software product line remains stable at £0.7 million (H1, 2014: £0.7 million) while the Application Management business reports revenue in line with Board expectations at £3.9 million (H1, 2014: £4.2 million). The Application Management business comprises a number of software solutions focussed principally on financial services. Consistent with the maturity of the solutions provided by the business it is the Board's expectations that revenues will continue to reduce in line with recent periods, but continue to contribute for an extended future period due to the high levels of recurring revenue and strong margins.

In total, the Financial Systems business reported revenue of £7.3 million (H1, 2014 : £7.2 million) with continued strong adjusted operating profits of £3.6 million (H1, 2014: £3.6 million) representing an adjusted operating margin of 49% (H1, 2014: 50%).

Group Financial Performance

Aggregating the business units, revenue for the six months ending 30 June 2015 was £15.8 million (H1, 2014: £14.7 million). Including Group costs of £0.7 million (H1, 2014: £0.8 million), adjusted operating profit is ahead of the Board's expectations at £3.9 million (H1, 2014: £3.7 million).

Operating profit on a statutory basis was £3.9 million (H1, 2014: £3.3 million) after non-underlying items of £0.1 million (H1, 2014: £0.4 million). The Group reported a profit for the period attributable to equity shareholders of £2.9 million (H1, 2014: £2.4 million). In accordance with IFRS, the Board has continued to determine that all internal research and development costs are expensed as incurred and therefore the Group has no capitalisation of development expenditure.

The total tax charge of £0.7 million (H1, 2014: £0.7 million) represents 20.0% of the Group's profit before tax (H1, 2014: 21.5%).

The Group continues to have a strong balance sheet with net assets at 30 June 2015 of £37.7 million (H1, 2014: £55.5 million), including cash at 30 June 2015 of £15.6 million (H1, 2014: £37.9 million), and net funds at 30 June 2015 of £0.9 million (H1, 2014: £20.2 million) following corporate cash outflows of £23.6 million in the past 12 months (comprising £22.2 million returned to shareholders by way of dividends & the B/C Share Scheme, together with consideration related to acquisitions of £1.4 million).

Dividend

The return of cash to shareholders via the B/C Share Scheme in April 2015, completed the programme initiated in October 2008, during which time the Board has returned £70 million, equivalent to 190% of the market capitalisation at the time of initiation. The Group is now focussed on executing the defined strategies for the Aptitude Software and Financial Systems businesses in order to continue to deliver value to shareholders.

Even after this substantial return of capital the Group maintains a strong balance sheet. The Group paid dividends in the year ended 31 December 2014 of £2.5 million, equivalent to 3.3 pence per share, which was covered 3.0 times by the Group's adjusted operating profit and 3.2 times by the Group's cash flows generated from operating activities. The Board has assessed the prospects of the Group and, in view of the resilience of the Group's financial performance, considers that the total cost of the dividend should be maintained at the level prior to the 2015 share consolidation. Therefore the interim dividend will be increased by 27% to 1.4 pence per share (2014: 1.1 pence) which will be payable on 28 August 2015 to shareholders on the register at the close of business on 7 August 2015. On this basis, and, subject to normal shareholder approval at the 2016 Annual General Meeting, the full year dividend would increase from 3.3 pence to 4.2 pence per share, a yield of 3.8% on the mid-market closing share price on 15 July 2015.

Board Succession

The Board has appointed a sub-committee of the Nomination Committee, headed by Ms Vanda Murray OBE, to evaluate potential candidates for Chairman. An external search firm has been appointed to assist in the process. The appointment is taking slightly longer than originally anticipated and the incumbent Chairman has, at the request of the Board, agreed to continue in office beyond the expiry of his contractual notice period to ensure a smooth transition.

It is anticipated that Tom Crawford, Managing Director of Aptitude Software, and Simon Baines, Managing Director of Financial Systems, will join the Microgen plc Board as part of the transition from an Executive to a Non-Executive Chairman. Both Managing Directors have been in their respective roles for several years, have well–established management teams in place and, as the results today clearly demonstrate, are performing well against the defined business strategies, as set out in the 2013 strategic review.

Summary

With the Group's high level of recurring revenue and a prudent operating model, Microgen has a long track record of consistent and resilient financial performance. The 2013 strategic review defined clear strategies for the operating businesses and the operating management teams are making good progress against these strategic plans. Combined with the strong balance sheet and attractive dividend yield, the Group is well positioned to continue to deliver value to shareholders in the future.

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 2014 Annual Report remain applicable for the first six months of the financial year. The Group's 2014 Annual Report is available from the Microgen website: www.microgen.com.

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

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2015

		Unaudited six months ended 30 Jun 2015			Unaudited six months ended 30 Jun 2014			Audited year ended 31 Dec 2014		
	Note	Before Non-underlying items	Non-underlying items	Total	Before Non-underlying items	Non-underlying items	Total	Before Non-underlying items	Non-underlying items	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	5	15,802	–	15,802	14,711	–	14,711	29,814	–	29,814
Operating costs		(11,866)	(65)	(11,931)	(11,014)	(427)	(11,441)	(22,435)	(1,218)	(23,653)
Operating profit	5	3,936	(65)	3,871	3,697	(427)	3,270	7,379	(1,218)	6,161
Finance income	5	71	–	71	82	–	82	196	–	196
Finance costs	5	(255)	–	(255)	(304)	–	(304)	(591)	–	(591)
Profit before income tax		3,752	(65)	3,687	**3,475**	**(427)**	3,048	**6,984**	**(1,218)**	5,766
Income tax expense	5/6			(738)			(656)			(1,653)
Profit for the period				2,949			**2,392**			**4,113**
Earnings per share										
Basic	7			4.2p			3.2p			5.5p
Diluted	7			4.0p			3.0p			5.1p

All results derive from continuing operations.

Condensed Consolidated Interim Statement Of Comprehensive Income

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For the six months ended 30 June 2015

	Unaudited six months ended 30 Jun 2015 £000	Unaudited six months ended 30 Jun 2014 £000	Audited year ended 31 Dec 2014 £000
Profit for the period	**2,949**	2,392	4,113
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Fair value loss on hedged financial instruments	**(2)**	(69)	(474)
Currency translation difference	**(13)**	(32)	(139)
Other comprehensive income for the period, net of tax	**(15)**	(101)	(613)
Total comprehensive income for the period	**2,934**	2,291	3,500

Condensed Consolidated Interim Balance Sheet

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As at 30 June 2015

	Note	Unaudited as at 30 Jun 2015 £000	Unaudited as at 30 Jun 2014 £000	Audited as at 31 Dec 2014 £000
ASSETS				
Non-current assets				
Property, plant and equipment	10	**4,637**	4,964	4,863
Goodwill		**41,774**	41,774	41,774
Intangible Assets		**1,471**	–	1,290
Deferred income tax assets		**767**	742	771
		48,649	47,480	48,698
Current assets				
Trade and other receivables		**4,580**	3,308	3,155
Current income tax assets		**–**	30	–
Financial assets				
– derivative financial instruments		**–**	104	–
Cash and cash equivalents		**15,618**	37,923	40,896
		20,198	41,365	44,051
Total assets		**68,847**	88,845	92,749
LIABILITIES				
Current liabilities				
Financial liabilities				
– borrowings	11	**(3,000)**	(3,000)	(3,000)
– derivative financial instruments		**(429)**	(125)	(427)
Trade and other payables		**(14,680)**	(14,415)	(18,812)
Current income tax liabilities		**(848)**	(767)	(499)
Provisions for other liabilities and charges	12	**(12)**	(32)	(15)
		(18,969)	(18,339)	(22,753)
Net current assets		**1,229**	23,026	21,298
Non-current liabilities				
Financial liabilities – borrowings	11	**(11,750)**	(14,750)	(13,250)
Provisions for other liabilities and charges	12	**(437)**	(266)	(261)
		(12,187)	(15,016)	(13,511)
NET ASSETS		**37,691**	55,490	56,485
SHAREHOLDERS' EQUITY				
Share capital	13	**3,730**	3,727	3,730
Share premium account	13	**4,014**	12,040	12,049
Capital redemption reserve		**12,372**	1,558	1,558
Other reserves		**33,766**	36,952	36,547
Retained earnings		**(16,191)**	1,213	2,601
TOTAL EQUITY		**37,691**	55,490	56,485

Condensed Consolidated Interim Statement Of Changes In Equity

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For the six months ended 30 June 2015

	Share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve £000	Other reserves £000	Total £000
Balance at 1 January 2015	3,730	12,049	2,601	1,558	36,547	**56,485**
Comprehensive income						
Profit for the period	–	–	2,949	–	–	**2,949**
Cash flow hedges – net fair value losses	–	–	–	–	(2)	**(2)**
Exchange rate adjustments	–	–	(13)	–	–	**(13)**
Total comprehensive income for the period	–	–	2,936	–	(2)	**2,934**
Issue and redemption of B shares (see note 13)	–	(8,035)	–	10,814	(2,779)	**–**
Return of value to shareholders (see note 13)	–	–	(20,145)	–	–	**(20,145)**
Sale of fractional shares	–	–	1	–	–	**1**
Expenses relating to Return of Value	–	–	(175)	–	–	**(175)**
Share options – value of employee service	–	–	(132)	–	–	**(132)**
Dividends to equity holders of the company	–	–	(1,277)	–	–	**(1,277)**
Total contributions by and distributions to owners of the company recognised directly into equity	–	(8,035)	(21,728)	10,814	(2,779)	**(21,728)**
Balance at 30 June 2015 (unaudited)	**3,730**	**4,014**	**(16,191)**	**12,372**	**33,766**	**37,691**

	Share capital £000	Share premium account £000	Retained earnings £000	Capital redemption reserve £000	Other reserves £000	Total £000
Balance at 1 January 2014	3,724	12,037	65	1,558	37,021	54,405
Comprehensive income						
Profit for the period	–	–	2,392	–	–	2,392
Cash flow hedges – net fair value losses	–	–	–	–	(69)	(69)
Exchange rate adjustments	–	–	(32)	–	–	(32)
Total comprehensive income for the period	–	–	2,360	–	(69)	2,291
Shares issued under share option schemes	3	3	–	–	–	6
Share options – value of employee service	–	–	427	–	–	427
Dividends to equity holders of the company	–	–	(1,639)	–	–	(1,639)
Total contributions by and distributions to owners of the company recognised directly into equity	3	3	(1,212)	–	–	(1,206)
Balance at 30 June 2014 (unaudited)	3,727	12,040	1,213	1,558	36,952	55,490

Condensed Consolidated Interim
Statements Of Cash Flow

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For the six months ended 30 June 2015

	Note	Unaudited as at 30 Jun 2015 £000	Unaudited as at 30 Jun 2014 £000	Audited as at 31 Dec 2014 £000
Cash flows from operating activities				
Cash generated from operations	8	**(1,522)**	2,037	9,960
Interest paid		**(255)**	(304)	(591)
Income tax paid		**(367)**	(630)	(1,454)
Net cash flows (used in)/ generated from operating activities		**(2,144)**	1,103	7,915
Cash flows from investing activities				
Purchase of property, plant and equipment	10	**(103)**	(336)	(612)
Proceeds from sale of property, plant and equipment		**12**	–	–
Acquisition of subsidiary, net of cash		**(16)**	–	(1,230)
Interest received		**75**	82	169
Net cash used in investing activities		**(32)**	(254)	(1,673)
Cash flows from financing activities				
Net proceeds from issuance of ordinary shares	13	**–**	6	18
Dividends paid to company's shareholders		**(1,277)**	(1,639)	(2,459)
Repayments of loan		**(1,500)**	(1,500)	(3,000)
Return of value to shareholders		**(20,145)**	–	–
Costs associated with return of value		**(175)**	–	–
Sale of fractional shares		**1**	–	–
Net cash used in financing activities		**(23,096)**	(3,133)	(5,441)
Net (decrease)/ increase in cash and cash equivalents		**(25,272)**	(2,284)	801
Cash, cash equivalents and bank overdrafts at beginning of period		**40,896**	40,200	40,200
Exchange rate (losses)/ gains on cash and cash equivalents		**(6)**	7	(105)
Cash and cash equivalents at end of period		**15,618**	37,923	40,896

Notes to the condensed 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 15 July 2015.

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 2014 were approved by the Board of directors on 24 February 2015 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 2015 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 2014, 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 IFRS ICs that are effective for the first time for this interim period that would be expected to have a material impact on the group.

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 2014, 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 (the "Board") 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 2015			
	Aptitude Software £000	Financial Systems £000	Group £000	Total £000
Revenue	8,546	7,256	–	15,802
Operating costs	(7,498)	(3,696)	–	(11,194)
Operating profit before group overheads	1,048	3,560	–	4,608
Unallocated group overheads			(672)	(672)
Operating profit before non-underlying items				3,936
Non-underlying items	–	(159)	94	(65)
Operating profit/ (loss)	1,048	3,401	(578)	3,871
Finance income				71
Finance costs				(255)
Profit before tax				3,687
Income tax expense				(738)
Profit for the period				2,949

5. Segmental information (continued)

	Unaudited six months ended 30 Jun 2014			
	Aptitude Software £000	Financial Systems £000	Group £000	Total £000
Revenue	7,560	7,151	–	14,711
Operating costs	(6,722)	(3,541)	–	(10,263)
Operating profit before group overheads	838	3,610	–	4,448
Unallocated group overheads			(751)	(751)
Operating profit before non-underlying items				3,697
Non-underlying items	–	–	(427)	(427)
Operating profit/ (loss)	838	3,610	(1,178)	3,270
Finance income				82
Finance costs				(304)
Profit before tax				3,048
Income tax expense				(656)
Profit for the period				2,392

5. Segmental information (continued)

	Aptitude Software £000	Financial Systems £000	Group £000	Total £000
	Audited year ended 31 Dec 2014			
Revenue	15,395	14,419	–	29,814
Operating costs	(14,193)	(6,969)	–	(21,162)
Operating profit before group overheads	1,202	7,450	–	8,652
Unallocated group overheads			(1,273)	(1,273)
Operating profit before exceptional and other items				7,379
Exceptional and other items	–	(388)	(830)	(1,218)
Operating profit/ (loss)	1,202	7,062	(2,103)	6,161
Finance income				196
Finance costs				(591)
Profit before tax				5,766
Income tax expense				(1,653)
Profit for the year				4,113

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 20% (the estimated tax rate for the six months ended 30 June 2014 was 21.5%).

7. Earnings per share

	Unaudited six months ended 30 Jun 2015 pence	Unaudited six months ended 30 Jun 2014 pence	Audited year ended 31 Dec 2014 pence
Earnings per share			
Basic	**4.2**	3.2	5.5
Diluted	**4.0**	3.0	5.1
Adjusted earnings per share			
Basic	**4.3**	3.6	7.2
Diluted	**4.1**	3.4	6.7

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

	Unaudited six months ended 30 Jun 2015 pence	Unaudited six months ended 30 Jun 2014 pence	Audited year ended 31 Dec 2014 pence
Basic earnings per share	**4.2**	3.2	5.5
Non-underlying items	**0.1**	0.4	1.9
Tax losses recognised	**–**	–	(0.2)
Adjusted earnings per share	**4.3**	3.6	7.2

8. Cash generated from operations

	Unaudited six months ended 30 Jun 2015 £000	Unaudited six months ended 30 Jun 2014 £000	Audited year ended 31 Dec 2014 £000
Profit before tax	**3,687**	3,048	5,766
Adjustments for:			
Depreciation	**300**	374	747
Amortisation	**68**	–	–
Research and development credit	**–**	–	(200)
Share-based payment (credit)/ expense	**(132)**	427	830
Finance income	**(71)**	(82)	(196)
Finance cost	**255**	304	591
Changes in working capital:			
Decrease/ (increase) in receivables	**(1,315)**	1,741	1,937
(Decrease)/ increase in payables	**(4,305)**	(3,771)	511
(Decrease)/ increase in provisions	**(9)**	(4)	(26)
Cash generated from operations	**(1,522)**	2,037	9,960

9. Dividends

The interim dividend of 1.4 pence per share (2014: 1.1 pence per share) was approved by the Board on 15 July 2015. It is payable on 28 August 2015 to shareholders on the register at 7 August 2015.

This interim dividend, amounting to £812,000 (2014: £820,000), 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 2015.

The dividend that relates to the period to 31 December 2014 and that amounted to £1,641,000 (2013: final dividend £1,639,000) was paid in June 2015.

10. Property, plant and equipment

Six months ended 30 June 2015	Property, plant and equipment £000
Opening net book amount as at 1 January 2015	**4,863**
Additions	**103**
Acquired from acquisitions	**12**
Disposals	**(12)**
Exchange movements	**(29)**
Depreciation	**(300)**
Closing net book amount as at 30 June 2015 (unaudited)	**4,637**

Six months ended 30 June 2014	Property, plant and equipment £000
Opening net book amount as at 1 January 2014	5,022
Additions	336
Exchange movements	(20)
Depreciation	(374)
Closing net book amount as at 30 June 2014 (unaudited)	4,964

The Group has not placed contracts for any future capital expenditure which has not been provided for in the financial statements.

11. Financial liabilities

	Unaudited six months ended 30 Jun 2015 £000	Unaudited six months ended 30 Jun 2014 £000
At 1 January	**16,250**	19,250
Loan repayments	**(1,500)**	(1,500)
At 30 June	**14,750**	17,750
The borrowings are repayable as follows:		
Within one year	**3,000**	3,000
In the second year	**3,000**	3,000
In the third to fifth year inclusive	**8,750**	11,750
	14,750	17,750
Less: Amount due for settlement with 12 months (shown under current liabilities)	**(3,000)**	(3,000)
Amount due for settlement after 12 months	**11,750**	14,750

12. Provisions for other liabilities and charges

	Unaudited six months ended 30 Jun 2015 £000	Unaudited six months ended 30 Jun 2014 £000
At 1 January	**276**	302
Utilised	**(2)**	–
Deferred consideration for the acquisition of Finalysys Ltd	**182**	–
Foreign exchange	**(7)**	(4)
At 30 June	**449**	298

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

	Unaudited six months ended 30 Jun 2015 £000	Unaudited six months ended 30 Jun 2014 £000
Current	**12**	32
Non-current	**437**	266
At 30 June	**449**	298

13. Share capital

Ordinary shares at 6 3/7 pence each (2014: 5 pence each)	**Unaudited six months ended 30 Jun 2015**		**Unaudited six months ended 30 Jun 2014**	
	Number of shares (thousands)	**Ordinary shares £000**	Number of shares (thousands)	Ordinary shares £000
Opening balance as at 1 January	**74,611**	**3,730**	74,499	3,724
Share reorganisation	**(16,581)**	**–**	–	–
Proceeds from shares issued – employee share schemes	**–**	**–**	61	3
Closing balance as at 30 June (unaudited)	**58,030**	**3,730**	74,560	3,727

Employee share option scheme: no options exercised during the six month period ended 30 June 2015 (30 June 2014: 60,917 shares were issued, with exercise proceeds of £6,000. The related weighted average share price at the time of exercise was £1.20 per share.)

B shares at 27 pence each	**Unaudited six months ended 30 Jun 2015**		**Unaudited six months ended 30 Jun 2014**	
	Number of shares (thousands)	**Ordinary shares £000**	Number of shares (thousands)	Ordinary shares £000
Opening balance as at 1 January	**–**	**–**	–	–
Issue of B shares	**40,053**	**10,814**	–	–
Redemption of B shares	**(40,053)**	**(10,814)**	–	–
Closing balance as at 30 June (unaudited)	**–**	**–**	–	–

On 19 March 2015, 40,052,751 B shares were issued at 27 pence each, resulting in a total of £10,814,000 being credited to the B share account. On 1 April 2015, 40,052,751 shares were redeemed at 27 pence each and an amount of £10,814,000 was deducted from the 'B' share capital account.

13. Share capital (continued)

C shares at 0.000001 pence each	**Unaudited six months ended 30 Jun 2015** Number of shares (thousands)	**Unaudited six months ended 30 Jun 2015** Ordinary shares £000	Unaudited six months ended 30 Jun 2014 Number of shares (thousands)	Unaudited six months ended 30 Jun 2014 Ordinary shares £000
Opening balance as at 1 January	**–**	**–**	–	–
Issue of C shares	**34,558**	**–**	–	–
Cancellation of C shares	**(34,558)**	**–**	–	–
Closing balance as at 30 June (unaudited)	**–**	**–**	–	–

On 19 March 2015, 34,557,918 C shares were issued at 0.000001 pence each, resulting in a total of £34 being credited to the C share account. On 19 March 2015, a dividend of 27 pence per C share was declared and was payable on 1 April 2015. The C shares were subsequently reclassified as Deferred Shares and repurchased by the Company for an aggregate consideration of £34 and then subsequently cancelled and an amount of £34 was deducted from the 'C' share capital account.

Return of Value to Shareholders

During the year ended 31 December 2015, the Group announced a Return of Value to shareholders of 27 pence per ordinary share amounting to £20.1 million in cash, by way of a 'B' and 'C' share scheme, which gave shareholders a choice between receiving cash in the form of income or capital. The Return of Value was approved by shareholders on 18 March 2015. The Return of Value was accompanied by a 7 for 9 share consolidation to maintain broad comparability of the share price and return per share of the ordinary shares before and after the creation of the B and C shares.

Share premium	**Unaudited six months ended 30 Jun 2015 £000**	Unaudited six months ended 30 Jun 2014 £000
Opening balance as at 1 January	**12,049**	12,037
Redemption of B shares	**(8,035)**	–
Movement in relation to share options exercised	**–**	3
Closing balance as at 30 June (unaudited)	**4,014**	12,040

14. Related party transactions

During the period the Group entered into transactions with Science Group plc. Microgen's Chairman, Martyn Ratcliffe, is chairman of, and equity holder in Science Group plc. An employee of Sagentia Limited (a subsidiary of Science Group plc) provided administrative services to Microgen plc during the period and a cost of £10,800 (2014: six months to June £3,000; full year: £15,000) was charged to Microgen plc.

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 2015 (30 June 2014: £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 2014 as defined by International Accounting Standard No 24 'Related Party Disclosures' are disclosed in note 29 of the Microgen plc Annual Report for the year ended 31 December 2014.

15. 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 2014. 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
15 July 2015

Group Finance Director

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the interim report of Microgen plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are 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.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Microgen plc, comprise:

- the condensed consolidated interim balance sheet as at 30 June 2015;
- the condensed consolidated interim income statement and interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim statements of cash flow for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated interim financial statements involves

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.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

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.

PricewaterhouseCoopers LLP
Chartered Accountants
15 July 2015
Uxbridge

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