microgen
Information Management
www.microgen.com

21 February 2008

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

HIGHLIGHTS

- Operating performance slightly ahead of market expectations
- Adjusted operating margin* remains strong at 17.9%, ahead of the Board's stated target. All internal research and development costs are expensed as incurred with no capitalisation of development costs.
- Profit before tax from Continuing Operations of £4.2 million (2006 : loss of £10.0 million)
- Revenue from Continuing Operations of £33.3 million (2006 : £32.7 million)
- Microgen Aptitude gaining significant momentum and market recognition
- Strong balance sheet with cash of £18.1 million (2006 : £15.3 million)
- Fully diluted earnings per share 2.5p (2006 : loss per share 10.3p). Adjusted diluted earnings per share 4.5p (2006 : 3.0p)
- Proposed dividend increase of 33% with final dividend of 1.4p per share making a total of 2.0p for the year (2006: 1.5p) reflecting the confidence of the Board

Contacts

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David Sherriff, Chief Operating Officer	
Philip Wood, Group Finance Director	
Giles Sanderson, Financial Dynamics	020-7831-3113

* Throughout this statement adjusted operating profit and margin excludes goodwill and intangible impairment/amortisation, exceptional items and discontinued operations, unless stated to the contrary

21 February 2008

MICROGEN plc ("Microgen")

AUDITED PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Chairman's Statement

Microgen reports another year of strong operating performance for the 12 months ended 31 December 2007, maintaining excellent operating profitability and cash flow while continuing to invest in the development and marketing of its products and services. This consistent performance, combined with a robust balance sheet and significant success for Microgen Aptitude, the Group's flagship product, means that the Board are pleased with the performance of the Group over the past year.

Three of the Group's four operating divisions reported good organic revenue growth in the range of 5% to 14%. The other division, Commercial, Public & Utilities, has been undergoing a transition in recent years as the Board has progressively reduced the division's exposure to the general IT consultancy sector. This transition was completed during 2007 with the closure of the SAP and Testing activities and the repositioning of the division to be more focused on Microgen Aptitude and related solutions.

The Group has a high level of recurring revenue and the majority of software licence sales are on multi-year annual licence contracts, although some customers do demand initial/perpetual software licencing to comply with their internal capital budgeting. This model has enabled the Board to invest significantly in recent years in Microgen Aptitude, while continuing to deliver strong profitability and without any capitalisation of software development costs. During 2007, Microgen Aptitude (and related solutions) accounted for 11% of the Group revenue (2006 : 3%) and this proportion is anticipated to increase further in the year ahead, following three large project (greater than £1 million) wins in the second half of 2007.

The progress made during 2007 provides a good platform for the Group in the year ahead and, having now completed the transition of the CPU business operations, the underlying organic growth will become more apparent. In addition, with consistent profitability, strong cash flow and significant cash resources, the Board continues to explore strategic opportunities for the further development of Microgen, including mergers and acquisitions, that could enhance the Group's offerings and customer base, particularly related to Microgen Aptitude and associated solutions. Reflecting confidence in the strength of the Group, the Board is recommending an increase in the total dividend by 33% with a final dividend of 1.4 pence per share, making a total of 2.0 pence for the year (2006: 1.5 pence).

Martyn Ratcliffe
Chairman

Group Financial Performance and Finance Director’s Report

Revenue from continuing operations for the year ended 31 December 2007 was £33.3 million (2006 : £32.7 million) producing an adjusted operating profit of £5.9 million (2006 : £4.7 million). Including the discontinued operations, revenue was £35.9 million (2006 : £37.6 million) with an adjusted operating profit of £6.2 million (2006 : £5.8 million). On a statutory basis the Group reported an operating profit from continuing operations of £3.7 million (2006 : loss of £10.2 million).

Adjusted diluted earnings per share for the year ended 31 December 2007 was 4.5p (2006 : 3.0p) with diluted earnings per share of 2.5p (2006 : loss per share of 10.3p). The Group’s tax rate used in calculating adjusted earnings per share is 29.6% (2006: 34.2%). Adjustment is made for goodwill and intangibles impairment/amortisation, exceptional items, discontinued operations and prior year tax.

During the period the Group generated cash from operations of £5.7 million (2006: £5.6 million) and continues to have a strong balance sheet with cash of £18.1 million (2006: £15.3 million) and net funds of £13.8 million at 31 December 2007 (2006: £9.3 million).

In accordance with IFRS, the Board has determined that all development costs incurred in the year are expensed and therefore the Group has no capitalisation of development costs. This is consistent with the Group’s conservative accounting policies.

The exceptional items incurred during the year from continuing operations have produced net income of £0.02 million, including a profit of £0.7 million related to the disposal of one of the long-leasehold properties in London and a cost of £0.6 million associated with a potential acquisition. The Group’s second long-leasehold property in London is now under contract to be sold in 2008. Furthermore, the Board has actively negotiated settlements on four surplus leasehold properties leaving just two properties within the group which are not currently used for operations. Following the completion of the transition of the CPU division the Board performed a review of the carrying value of goodwill in the Group resulting in a £2.0 million impairment to the value of the goodwill allocated to the CPU division.

If approved by shareholders at the Annual General Meeting a final dividend of 1.4p per share will be payable on 6 May 2008 to shareholders on the register at the close of business on 4 April 2008.

Philip Wood
Group Finance Director

Divisional Review and Chief Operating Officer's Report

Microgen is organised into four operating businesses, with the benefits of scale being achieved through shared central services which are charged into each business. The divisional operating profit and margin figures referenced below are from continuing operations and are reported before Group overhead, goodwill and intangibles impairment/amortisation, exceptional items, discontinued operations, interest and tax.

In line with the Board's strategic objectives, revenue from continuing operations derived from Microgen's software contributed 70% of the Group's continuing revenues (2006: 65%). The Board continues to promote software licence sales on multi-year annual licence contracts, with a conservative revenue recognition policy, although some customers do demand traditional initial/perpetual software licensing models.

The Group has maintained its disciplined approach to overhead and operating costs, while selectively investing in those areas which the Board anticipates will deliver the best return for shareholders. Headcount within continuing operations at 31 December 2007 was 323 (31 December 2006: 345), including contractors and associates.

- ***Asset & Wealth Management***

The Asset & Wealth Management division has had another solid year, delivering organic growth of 5% and an operating margin of 27% (2006 : 22%). Revenue in 2007 was £11.4 million (2006 : £10.9 million), although the division did benefit from a number of projects which completed in the year. The division's operations are based in UK, Guernsey, South Africa and Grand Cayman although the division has customers in most of the main offshore financial centres.

Microgen is a leading provider of trust, fund and banking systems into the wealth management sector and has a significant presence within the asset management market. Following the acquisition of the Oscar software from Cronus Consultancy in July 2007, the division launched the next generation of Trust and Fund application software and early reference customers have already been established. The division has continued to extend the Microgen Aptitude customer base, particularly where related to complex integration solutions, and has also invested in the development of an Independent Pricing and Valuation solution for the asset management market, based on Microgen Aptitude.

- ***Banking***

The Banking division had a strong performance in 2007 with 10% organic revenue growth on a year-on-year basis and 23% organic growth in the second half of the year compared to the equivalent period in 2006. Revenue in 2007 was £9.5 million (2006 : £8.6 million) producing an operating margin of 22% (2006 : 17%).

While some legacy product terminations are anticipated in 2008, the division signed two material contracts (greater than £1 million including licence, consultancy and support over the contract period) in the second half of 2007 for the Microgen Accounting Hub, a solution derived from Microgen Aptitude, together with a number of other Microgen Aptitude based solutions and OST-BR customer upgrades. The investment made in the Banking division in 2006 has been rewarded in 2007 and should provide a stronger platform for the division entering 2008.

- ***Commercial, Public & Utilities ("CPU")***

In recent years, the Board has consistently highlighted the commoditisation of the UK consultancy market and has progressively reduced the Group's exposure in this area. Throughout this period the Board has maintained its focus on profitability, allowing revenue to decline rather than pursuing low margin business. During 2007, the Board has exited the SAP support sector and also the Testing consultancy practice in order to transition the focus of the division into software and services more aligned with the other divisions within the Group. This improved focus has resulted in a number of Microgen Aptitude successes in the Transport, Energy and Leisure sectors.

The CPU division reported revenue in 2007 of £6.0 million (2006 : £7.6 million) on continuing operations, with an operating margin of 20% (2006 : 23%). However, having completed the transition of this division and with both contracted and potential opportunities for Microgen Aptitude continuing to develop, the Board anticipates that the division will benefit from this greater focus during 2008.

- ***Billing & Database Management ("BDM")***

The BDM division provides managed services to process, store and distribute billing and related documentation via electronic and print media. The Board anticipated the decline in demand for print several years ago and reduced capacity accordingly, while investing in e-billing and related value-added services. The migration to e-billing has increased significantly during 2007 with 28% of all document output being distributed electronically in December 2007, compared with 13% in December 2006, 5% in 2005 and 3% in 2004.

Organic revenue growth in 2007 was very strong at 14%. Revenue in 2007 was £6.4 million (2006 : £5.6 million) producing an operating margin of 31% (2006: 25%).

Microgen Aptitude

The investment in the Microgen Aptitude product, together with related solutions and applications, has continued throughout the year. In 2007 the Group won three contracts which will each exceed £1 million in value over the life of the contract in addition to numerous other new customer wins and upgrades. This success has been in both commercial and financial sectors and across most geographical areas, including UK, Europe, USA and South Africa.

The progress made has been increasingly recognised by independent analysts and copies of these reports can be downloaded at www.microgen.com. The independent research supports Microgen's view that Microgen Aptitude provides :

- A Business Process Management Suite (BPMS) capable of supporting very high levels of transaction processing within a single, integrated environment for BPM, Business Rules, Integration, SOA, BAM and Simulation;
- Event Driven Processing that can be used within a Service Oriented Architecture (SOA);

- A single and transparent process-based development environment, enabling better collaboration between Business and IT users.

Microgen Aptitude's high volume Transaction Process Management (TPM) capability, combined with workflow and the Group's extensive experience in business rules based solutions, enables the product to provide a platform for solutions into vertical markets, such as the Microgen Accounting Hub for financial services, Independent Pricing and Valuation for asset management and pricing/margin solutions within the Energy sector.

Operations Summary

The Group has now established a strong product and portfolio of solutions, combining detailed industry expertise with leading technical capability. The benefits of scale have been sustained through the use of shared services centres for support functions and development operations. Microgen has proven the success of this business model, delivering consistently strong operating profitability and cash flow from each of its operating divisions. This solid foundation provides an excellent platform from which to leverage the success being achieved with Microgen Aptitude.

David Sherriff
Chief Operating Officer

MICROGEN PLC

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

CONTINUING OPERATIONS	Notes	Year Ended 31 Dec 2007 Before goodwill and intangibles impairment/ amortisation and exceptional items	Year Ended 31 Dec 2007 Goodwill and intangibles impairment/ amortisation and exceptional items	**Year Ended 31 Dec 2007 Total**	Year Ended 31 Dec 2006 Restated Before goodwill and intangibles impairment/ amortisation and exceptional items	Year Ended 31 Dec 2006 Restated Goodwill and intangibles impairment/ amortisation and exceptional items	Year Ended 31 Dec 2006 Restated Total
		£000	£000	**£000**	£000	£000	£000
Revenue	1	33,271	-	**33,271**	32,703	-	32,703
Operating costs	1	(27,326)	(2,281)	**(29,607)**	(28,002)	(14,852)	(42,854)
Operating profit/(loss)		5,945	(2,281)	**3,664**	4,701	(14,852)	(10,151)
Finance income		855	-	**855**	579	-	579
Finance cost		(290)	-	**(290)**	(426)	-	(426)
		565	-	**565**	153	-	153
Profit/(loss) on ordinary activities before tax		6,510	(2,281)	**4,229**	4,854	(14,852)	(9,998)
Taxation	3			**(1,478)**			(1,623)
Profit/(loss) for the year from continuing operations				**2,751**			(11,621)
DISCONTINUED OPERATIONS							
(Loss)/profit for the year from discontinued operations	2			**(121)**			1,090
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS				**2,630**			(10,531)
Earnings/(loss) per share							
Basic	4			**2.6p**			(10.3p)
Diluted	4			**2.5p**			(10.3p)
Adjusted earnings per share (before goodwill and intangibles impairment/ amortisation, exceptional items, discontinued operations and with effective tax rate)							
Basic	4			**4.6p**			3.1p
Diluted	4			**4.5p**			3.0p
Dividend per share			**pence**	**£000**		pence	£000
Paid	5		1.6p	1,640		0.5p	513
Proposed	5		1.4p	1,441		1.0p	1,027

MICROGEN PLC

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Cash flow hedges:		
- net fair value gains net of tax	**81**	82
- reclassified and reported in net profit	**(7)**	4
Deferred tax on share options	**(4)**	(43)
Exchange differences on translation of foreign operations	**57**	(117)
Net income/(expense) recognised directly in equity	**127**	(74)
Profit/(loss) for the year	**2,630**	(10,531)
Total recognised income and expense for the year attributable to equity shareholders	**2,757**	(10,605)

MICROGEN PLC

GROUP BALANCE SHEET

	Notes	As at 31 Dec 2007 £000	As at 31 Dec 2006 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**6,490**	9,104
Goodwill		**44,880**	46,980
Intangible assets		**1,292**	1,021
Deferred tax asset		**1,419**	2,103
		54,081	59,208
Current assets			
Inventories – raw materials		**61**	73
Trade and other receivables	6	**8,919**	7,801
Financial assets - derivative financial instruments		**248**	151
Cash and cash equivalents		**18,081**	15,297
Non-current assets held for sale		**971**	-
		28,280	23,322
LIABILITIES			
Current liabilities			
Financial liabilities			
- borrowings		**(533)**	(667)
- derivative financial instruments		**(16)**	-
Trade and other payables	7	**(14,949)**	(14,445)
Current tax liabilities		**(1,694)**	(1,476)
Provisions for other liabilities and charges	8	**(130)**	(503)
		(17,322)	(17,091)
Net current assets		**10,958**	6,231
Non-current liabilities			
Financial liabilities – borrowings		**(3,734)**	(5,333)
Provisions for other liabilities and charges	8	**(285)**	(525)
		(4,019)	(5,858)
NET ASSETS		**61,020**	59,581
SHAREHOLDERS' EQUITY			
Ordinary shares	9	**5,143**	5,132
Share premium account	10	**11,277**	11,214
Other reserves	10	**37,536**	37,462
Retained earnings	10	**7,064**	5,773
EQUITY SHAREHOLDERS' FUNDS		**61,020**	59,581

MICROGEN PLC
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	**Year ended 31 Dec 2007 £000**	Year ended 31 Dec 2006 £000
Cash flows from operating activities			
Cash generated from operations	11	**5,651**	5,631
Interest received		**854**	606
Interest paid		**(332)**	(352)
Tax paid		**(1,105)**	(1,143)
Net cash generated from operating activities		**5,068**	4,742
Cash flows from investing activities			
Acquisition of investment		**(5,683)**	-
Proceeds from sale of investment		**5,741**	-
Proceeds from sale of property, plant and equipment		**2,068**	-
Purchase of property, plant and equipment		**(552)**	(552)
Purchase of intangible assets		**(576)**	-
Net cash generated from/(used in) investing activities		**998**	(552)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**74**	59
Dividends paid		**(1,640)**	(513)
Repayment of mortgage		**(1,733)**	-
Net cash used in financing activities		**(3,299)**	(454)
Net increase in cash and cash equivalents		**2,767**	3,736
Opening cash and cash equivalents		**15,297**	11,804
Effects of exchange rate changes		**17**	(243)
Closing cash and cash equivalents		**18,081**	15,297

Notes to the Audited preliminary results for the year ended 31 December 2007

1. Segmental analysis

Business segments

The segmental information below reflects the divisional operating structure of the Group which is the primary segmentation of the operating performance reviewed by the Board. The primary segmental analysis is split into Asset & Wealth Management, Banking, Commercial Public & Utilities (merging the Consultancy & Applications Management and Energy divisions) and Billing & Database Management. The principal activity of the Group is the provision of IT services and solutions.

The divisions and business categories are allocated central function costs in arriving at operating profit/(loss). Group overhead costs are not allocated into the divisions or business categories as the Board believes that these relates to Group activities as opposed to the division or business category.

(a) Revenue and operating profit by division

31 DECEMBER 2007

CONTINUING OPERATIONS	Asset & Wealth Management	Banking	Commercial, Public & Utilities	Billing & Database Management	Group	Total
	£000	£000	£000	£000	£000	£000
Revenue	11,442	9,475	5,981	6,373	-	**33,271**
Operating costs	(8,317)	(7,358)	(4,777)	(4,410)	-	**(24,862)**
Operating profit before Group overheads	3,125	2,117	1,204	1,963	-	**8,409**
Unallocated Group overheads					(2,464)	**(2,464)**
Operating profit before intangibles amortisation/impairment and exceptional items						**5,945**
Goodwill impairment	-	-	(2,000)	-	-	**(2,000)**
Intangibles amortisation	(261)	(44)	-	-	-	**(305)**
Exceptional income/(costs)						
- Property provision	-	-	-	-	66	**66**
- Sale of property, plant and equipment	-	-	-	-	666	**666**
- Aborted acquisition costs	-	-	-	-	(629)	**(629)**
- Other	-	-	-	-	21	**21**
- Goodwill adjustment	-	-	-	-	(100)	**(100)**
	(261)	(44)	(2,000)	-	24	**(2,281)**
Operating profit/(loss)	2,864	2,073	(796)	1,963	(2,440)	**3,664**
Net finance income						**565**
Profit before tax						**4,229**
Taxation						**(1,478)**
Profit for the year from continuing operations						**2,751**
DISCONTINUED OPERATIONS						
Loss for the year from discontinued operations						**(121)**
PROFIT FOR THE YEAR						**2,630**

31 DECEMBER 2006 RESTATED CONTINUING OPERATIONS	Asset & Wealth Management	Banking	Commercial, Public & Utilities	Billing & Database Management	Group	Total
	£000	£000	£000	£000	£000	£000
Revenue	10,897	8,594	7,607	5,605	-	32,703
Operating costs	(8,452)	(7,136)	(5,881)	(4,217)	-	(25,686)
Operating profit before Group overheads	2,445	1,458	1,726	1,388	-	7,017
Unallocated Group overheads					(2,316)	(2,316)
Operating profit before goodwill and intangible amortisation/impairment and exceptional items						4,701
Goodwill and intangibles impairment	-	-	(14,000)	-	-	(14,000)
Intangibles amortisation	(261)	(44)	(19)	-	-	(324)
Exceptional income/(costs)						
- Property provision	-	-	-	-	18	18
- Goodwill adjustment	-	-	-	-	(546)	(546)
	(261)	(44)	(14,019)	-	(528)	(14,852)
Operating profit/(loss)	2,184	1,414	(12,293)	1,388	(2,844)	(10,151)
Net finance income						153
Loss before tax						(9,998)
Taxation						(1,623)
Loss for the year						(11,621)
DISCONTINUED OPERATIONS						
Profit for the year from discontinued operations						1,090
LOSS FOR THE YEAR						(10,531)

1(b) Geographical analysis

The Group's operations are located in two main geographical areas. The United Kingdom is the home country of the Company.

The following table provides an analysis of the Group's sales by origin and by destination.

	Sales revenue by origin		**Sales revenue by destination**	
	Year ended	Year ended	**Year ended**	Year ended
	31 Dec 2007	31 Dec 2006	**31 Dec 2007**	31 Dec 2006
		Restated		Restated
	£000	£000	**£000**	£000
United Kingdom and Ireland	**31,014**	30,027	**25,340**	24,883
Rest of World	**2,257**	2,676	**7,931**	7,820
	33,271	32,703	**33,271**	32,703

2. Discontinued operations

The Board have determined that the Group's SAP support and Testing consultancy operations were sub-scale and the investment required to achieve the necessary scale would be unlikely to deliver a satisfactory return for shareholders. Therefore, the Board determined to exit these activities during 2007.

The results for the SAP and Testing consultancy businesses are as follows:

	31 Dec 2007	31 Dec 2006
	£000	£000
Revenue	**2,674**	4,929
Operating costs	**(2,383)**	(3,872)
Operating profit before exceptional items	**291**	1,057
Exceptional income	**139**	94
Profit from discontinued operations – before tax	**430**	1,151
Tax	**(551)**	(61)
Profit from discontinued operations – after tax	**(121)**	1,090

The exceptional income in 2007 relates to the release of provisions on termination of the businesses.

The exceptional income in 2006 relates to the release of a property provision.

Included within the charge of £551,000 for the year ending 31 December 2007 is £391,000 attributable to the impairment of a deferred tax asset in respect of trading losses.

In accordance with IFRS 5, Non current Assets Held for Sale and Discontinued Operations, the prior year comparatives for the income statement and related notes have been restated to exclude discontinued operations.

3. Taxation

	Year ended 31 Dec 2007	Year ended 31 Dec 2006 Restated
Analysis of charge in the year	**£000**	£000
Current tax:		
- current year charge	**(1,736)**	(1,393)
- prior year credit	**379**	56
	(1,357)	(1,337)
Deferred tax:		
- current year charge	**(264)**	(266)
- prior year credit/(charge)	**143**	(20)
	(121)	(286)
Taxation	**(1,478)**	(1,623)

The total tax charge of £1,478,000 (2006: £1,623,000) represents 34.9% (2006: (16.2%)) of the Group's profit before tax of £4,229,000 (2006: loss of £9,998,000). The total charge in the year is increased due to expenses not deductible for tax purposes, including goodwill and intangibles impairment/amortisation. After adjusting for the impact of goodwill and intangibles impairment/amortisation, goodwill adjustment, exceptional items, change in tax rates and prior year tax charges the tax charge for the year of £1,926,000 represents 29.6% (2006: 34.2%), which is the tax rate used for calculating the adjusted earnings per share.

At the balance sheet date, the Group has unused tax losses from continuing operations of £19,020,000 (2006: 19,734,000) available to offset against future profits. A deferred tax asset has been recognised in respect of £2,790,000 (2006: £3,071,000) of such losses. No deferred tax asset has been recognised in respect of the remaining £16,230,000 (2006: £16,664,000) due to the unpredictability of future profit streams.

The difference between the total tax charge and the amount calculated by applying the United Kingdom corporation tax rate of 30% to the profit on ordinary activities before tax is as follows:

	Year ended 31 Dec 2007	Year ended 31 Dec 2006 Restated
	£000	£000
Profit/(loss) on ordinary activities before tax	**4,229**	(9,998)
Tax at the UK corporation tax rate of 30% (2006: 30%)	**(1,269)**	2,999
Effects of:		
Adjustment to tax in respect of prior period	**522**	36
Adjustment in respect of foreign tax rates	**(4)**	13
Expenses not deductible for tax purposes		
- Goodwill and intangibles impairment	**(600)**	(4,200)
- Income not taxable	**203**	-
- Changes in future tax rates	**(74)**	-
- Other	**(355)**	(534)
Movement in unrecognised deferred taxation	**99**	63
Total taxation	**(1,478)**	(1,623)

4. Earnings per share

To provide an indication of the underlying performance per share the adjusted profit after tax figure shown below excludes goodwill and intangibles impairment/amortisation, exceptional items, discontinued operations, change in tax rates and prior year tax charges and credits.

Basic earnings per share is based on the weighted average number of shares in issue during the year of 102,215,520 (2006: 102,107,722). Diluted earnings per share calculations are based on 103,425,480 (2006: 103,021,920) ordinary shares calculated as the basic weighted average number of ordinary shares plus 1,209,860 (2006: 914,198) dilutive share options.

	Year ended 31 Dec 2007	Year ended 31 Dec 2006 Restated
	£000	£000
Profit on ordinary activities before tax, goodwill and intangibles impairment/amortisation, discontinued operations and exceptional items	**6,510**	4,854
Tax charge at a rate of 29.6% (2006: 34.2%)	**(1,927)**	(1,660)
Adjusted profit on ordinary activities after tax	**4,583**	3,194
Discontinued operations	**(121)**	1,090
Exceptional items net of tax	**(66)**	(624)
Prior years' tax charge	**522**	36
Change in tax rates	**(74)**	-
Amortisation of intangibles net of tax	**(214)**	(227)
Goodwill and intangibles impairment	**(2,000)**	(14,000)
Profit/(loss) on ordinary activities after tax	**2,630**	(10,531)

	2007 Earnings £000	**2007 Basic EPS Pence**	**2007 Diluted EPS Pence**
Profit on ordinary activities after tax	2,630	2.6	2.5
Discontinued operations	121	0.1	0.1
Amortisation of intangibles net of tax	214	0.2	0.2
Exceptional charge net of tax	66	0.1	0.1
Prior years' tax charge	(522)	(0.5)	(0.5)
Change in tax rates	74	0.1	0.1
Goodwill impairment	2,000	2.0	2.0
Adjusted profit on ordinary activities after tax	4,583	4.6	4.5

Adjusted earnings per share is calculated using adjusted profit after tax.

5. Equity dividends on ordinary shares

	2007 pence per share	2006 pence per share	**2007**	2006
	£000		**£000**	£000
Dividends paid:				
Interim dividend	**0.6**	0.5	**613**	513
Final dividend	**1.0**	-	**1,027**	-
	1.6	0.5	**1,640**	513
Proposed but not recognised as a liability:				
Final dividend	**1.4**	1.0	**1,441**	1,027

The proposed final dividend was approved by the Board on 21 February 2008 but was not included as a liability as at 31 December 2007, in accordance with IAS 10 'Events after the Balance Sheet date'. If approved by the shareholders at the Annual General Meeting this final dividend will be payable on 6 May 2008 to shareholders on the register at the close of business on 4 April 2008.

6. Trade and other receivables

	31 Dec 2007	31 Dec 2006
	£000	£000
Trade receivables	**8,187**	7,112
Less: provision for impairment of receivables	**(156)**	(366)
Trade receivables – net	**8,031**	6,746
Other receivables	**136**	249
Prepayments and accrued income	**752**	806
	8,919	7,801

7. Trade and other payables – current

	31 Dec 2007	31 Dec 2006
	£000	£000
Trade payables	**564**	484
Other tax and social security payable	**1,225**	1,378
Other payables	**373**	510
Accruals	**3,854**	3,347
Deferred income	**8,933**	8,726
	14,949	14,445

8. Provisions for other liabilities and charges

	Property provision	
	31 Dec 2007	31 Dec 2006
	£000	£000
Group		
At 1 January	**1,028**	1,475
Reclassified from accruals	**156**	-
Credited to income statement	**(138)**	(361)
Charged to income statement	**208**	249
Utilised in the year	**(843)**	(406)
Unwinding of discount	**4**	71
At 31 December	**415**	1,028

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

	Property provision	
	31 Dec 2007	31 Dec 2006
	£000	£000
Current	**130**	503
Non-current	**285**	525
	415	1,028

9. Share Capital

The movement in authorised and issued Ordinary Share Capital of 5 pence each during the period is detailed below.

	Authorised		Issued and fully paid	
	Number	**Amount £000**	**Number**	**Amount £000**
At 1 January 2007	145,000,000	7,250	102,651,776	5,132
Issued under share option schemes	-	-	228,000	11
At 31 December 2007	145,000,000	7,250	102,879,776	5,143

10. Movement on reserves

	Share Premium Account £'000	Other Reserves £'000	Retained Earnings £'000
At 1 January 2007	11,214	37,462	5,773
Profit for the year	-	-	2,630
Share options - value of employee service	-	-	248
Deferred tax on share options	-	-	(4)
Exchange rate adjustments	-	-	57
Dividends	-	-	(1,640)
Cash flow hedges			
- transfers to net income	-	(7)	-
- net fair value gains in the period net of tax	-	81	-
Premium on shares issued under share option schemes	63	-	-
At 31 December 2007	**11,277**	**37,536**	**7,064**

11. Notes to the Group Cash Flow Statement

(i) Reconciliation of profit/(loss) for the year to net cash inflow from operating activities

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Profit/(loss) for the year	**2,630**	(10,531)
Adjustments for:		
Taxation	**2,029**	1,684
Depreciation	**731**	777
(Profit)/loss on disposal of property, plant and equipment	**(606)**	11
Profit on disposal of investments	**(58)**	-
Amortisation of intangible assets	**305**	324
Goodwill and intangible impairment	**2,000**	14,000
Share-based payment expense	**248**	251
Change in value of goodwill	**100**	546
Finance income	**(855)**	(579)
Finance expense	**290**	426
Changes in working capital:		
Decrease in inventories	**12**	2
(Increase)/decrease in receivables	**(1,118)**	655
Decrease/(increase) in payables	**551**	(1,559)
Decrease in provisions	**(608)**	(376)
Cash generated from operations	**5,651**	5,631

(ii) Reconciliation of Net Funds

	31 Dec 2007	31 Dec 2006
	£000	£000
Cash and cash equivalents	**18,081**	15,297
Borrowings	**(4,267)**	(6,000)
Net Funds	**13,814**	9,297

12. Statement by the directors

The preliminary results for the year ended 31 December 2007 and the results for the year ended 31 December 2006 are prepared under International Financial Reporting Standards as adopted for use in the EU ("IFRSs") and in accordance with the Listing Rules of the Financial Services Authority. The accounting policies adopted in this preliminary announcement are consistent with the Annual Report for the year ended 31 December 2006.

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2007 or 31 December 2006. The financial information for the year ended 31 December 2006 is derived from the Annual Report delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985.

The Board of Microgen approved the release of this preliminary announcement on 21 February 2008.

The Annual Report for the year ended 31 December 2007 will be posted to shareholders in due course and will be delivered to the Registrar of Companies following the Annual General Meeting of the Company. The report will also be available on the investor relations page of our web site (www.microgen.com) upon posting to shareholders. Further copies will be available on request and free of charge from the Company Secretary at Fleet House, 3 Fleetwood Park, Barley Way, Fleet, Hampshire. GU51 2QJ.