7 March 2018

MICROGEN plc ('Microgen' or 'Group')

Audited Preliminary Results for the Year Ended

31 December 2017

Microgen plc (LSE: MCGN), a leading provider of business critical software and services, reports its audited preliminary results for the year ended 31 December 2017.

Group Highlights:

- Excellent performance by the Group's two businesses with strong organic growth reported by both Aptitude Software and the Trust & Fund Administration business of Microgen Financial Systems, complemented by the acquisitions in the year of RevStream and Primacy
- Overall revenue growth of 46% to £62.6 million (2016: £43.0 million), growth of 37% excluding the benefit of recent acquisitions*
- Group adjusted operating profit increased by 43% to £13.6 million (2016: £9.5 million)**. Group operating profit on a statutory basis of £11.1 million (2016: £8.2 million)
- Adjusted earnings per share increased by 39% to 17.1 pence (2016: 12.3 pence). Basic earnings per share increased to 16.4 pence (2016: 10.6 pence)
- Proposed final dividend of 4.25 pence per share (2016: 3.5 pence) representing a full year dividend of 6.25 pence (2016: 5.0 pence), an increase of 25%
- Cash conversion was 108% in the year (2016: 138%) with both businesses continuing to benefit from their growing recurring revenue bases with customers typically paying annually in advance
- Strong balance sheet with cash of £19.1 million (2016: £23.8 million) and net funds of £9.1 million (2016: £13.6 million) following corporate cash outflows of £13.8 million in 2017 (£3.3 million dividends and £10.5 million net acquisition consideration)

Aptitude Software:

- Strong levels of new business including multiple sales of the Aptitude Revenue Recognition Engine and the Aptitude Accounting Hub together with the first sale of the new Aptitude Lease Accounting Engine application to one of the world's largest technology businesses
- Strategically significant first sale of the new Aptitude Insurance Calculation Engine to an Asian insurance group completed in February 2018
- Revenue growth of 68% to £44.3 million (2016: £26.4 million), growth of 58% excluding the benefit of the RevStream acquisition
- Recurring revenue base at 31 December 2017 increased during 2017 by 53% to £19.3 million (31 December 2016: £12.6 million). The increase in the recurring revenue base in 2017 was 30%, excluding the acquisition of RevStream
- Software revenue growth of 43% to £17.7 million (2016: £12.4 million), an increase of 35% excluding the benefit of the RevStream acquisition
- Implementation services revenue growth of 91% to £26.6 million (2016: £14.0 million), growth of 78% excluding the benefit of the RevStream acquisition. The exceptional growth in demand for

implementation services experienced in 2017 is expected to moderate in 2018 due to the growing partner model

- Adjusted operating profit growth of 107% to £7.9 million (2016: £3.8 million). Operating profit on a statutory basis of £7.1 million (2016: £3.8 million). Growth in adjusted operating margin to 18% (2016: 15%) achieved whilst investment continues in people, technology, organisation and a number of growth opportunities
- RevStream, a California-based provider of cloud-enabled revenue management software, was acquired in August 2017 complementing and broadening the specialist revenue recognition capabilities of the Aptitude Revenue Recognition Engine. The integration of the business is progressing in accordance with expectations and the growth in the customer base since acquisition has been a particular highlight
- Aptitude Software's partner network continues to develop with over 80% of 2017 new business contracts partner influenced with particular benefit being received in new geographical and vertical markets
- Investment continued in the Aptitude Technology Centre in Poland with a number of new products developing in line with expectations highlighted by the launch in June 2017 of the new Aptitude Lease Accounting Engine and the development of the Aptitude Insurance Calculation Engine
- Aptitude Software made excellent progress in 2017 and looks to further build on this success in 2018 with new business wins from its growing product and service offerings

Microgen Financial Systems:

- Further strengthening of position within the Trust & Fund Administration ('T&FA') market following the February 2017 acquisition of Primacy Corporation
- Overall revenue increased by 10% to £18.3 million (2016: £16.6 million) of which 76% is recurring in nature
- Adjusted operating profit increased to £7.5 million (2016: £7.2 million) as transition to a business focused on T&FA continues. Operating profit on a statutory basis of £6.1 million (2016: £6.3 million)
- T&FA revenues increased by 27% to £11.3 million (2016: £8.9 million), growth of 16% excluding the benefit of recent acquisitions
- T&FA revenues now representing 62% (2016: 54%) of Microgen Financial Systems' 2017 revenue
- Investment has been made throughout the business in 2017 to enable future growth opportunities to be realised as they arise
- Microgen Financial Systems continues to benefit from particularly high levels of recurring revenue providing the business with excellent future visibility

Commenting on the results, Ivan Martin, Chairman, said:

'2017 has been an excellent year for the Group with overall revenue growth of 46% taking revenue for the year to £62.6 million (2016: £43.0 million), growth of 37% excluding the benefit of recent acquisitions. Aptitude Software has achieved continued new business success with its specialised financial management software applications, with the product offering broadened by the launch in the year of the Aptitude Lease Accounting Engine and the acquisition of RevStream's cloud-enabled revenue management software. Microgen Financial Systems has continued to grow its core Trust & Fund Administration business successfully, both organically and via strategic add-on acquisitions, highlighted by the February 2017 acquisition of Primacy. The Group enters 2018 well positioned with good revenue visibility and an encouraging pipeline of opportunities.'

Contacts

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Philip Wood, Chief Financial Officer

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* Revenue growth percentages have been provided without the benefit of recent acquisitions. In calculating these growth percentages the revenue benefit of acquisitions completed in 2016 and 2017 has been removed from both years.

** Throughout this statement adjusted operating profit and margin excludes non-underlying operating items, unless stated to the contrary. Further detail in respect of the non-underlying operating items can be found within note 2 of this statement.

MICROGEN plc (‘Microgen’ or ‘Group’)

Audited Preliminary Results for the Year ended 31 December 2017

Chairman's Statement

Microgen reports an excellent performance in 2017 by each of its two businesses as they continue to successfully execute their declared strategies. Aptitude Software is focused on the organic growth of its prestigious client base using its specialised financial management software applications. Microgen Financial Systems, through organic growth and add-on acquisitions, is focused on increasing its revenues from the Trust & Fund Administration (‘T&FA’) market and adjacent areas. Both Aptitude Software and Microgen Financial Systems continue to benefit from high quality revenue streams with excellent forward visibility arising from the recurring revenue licence models favoured by each business in their provision of business critical software.

Aptitude Software’s continued focus on specialised financial management software applications has been rewarded with strong levels of new business in the year. This included multiple sales of the Aptitude Revenue Recognition Engine and the Aptitude Accounting Hub, together with the first sale of the new Aptitude Lease Accounting Engine application to one of the world’s largest technology businesses. These new customers have contributed to revenue for the Aptitude Software business growing 68% to £44.3 million (2016: £26.4 million), growth of 58% excluding the benefit of the RevStream acquisition. Aptitude Software has started 2018 well with the strategically important first sale of the Aptitude Insurance Calculation Engine (‘AICE’) to an Asian insurance group. The sale is significantly ahead of the 2021 effective date of IFRS 17, the new accounting standard which AICE addresses, and there are a number of further global opportunities for AICE the success of which will be a key part of the continued development of the business in 2018 and following years.

RevStream Inc. (‘RevStream’), a California-based provider of cloud-enabled revenue management software, was acquired by Aptitude Software in August 2017 complementing and broadening the specialist capabilities within the core business. The integration of the acquired business is progressing in accordance with expectations with the highlight being the growth in the customer base since acquisition.

Microgen Financial Systems continues to benefit from its focus on the T&FA market within the wealth management sector. This focus has led to Microgen Financial Systems’ revenue increasing by 10% to £18.3 million (2016: £16.6 million) with T&FA revenues increasing by 27% to £11.3 million (2016: £8.9 million), growth of 16% excluding the benefit of recent acquisitions. T&FA revenues now represent 62% (2016: 54%) of overall revenue for the business in 2017. Complementing continued progress with the Microgen 5Series product Microgen Financial Systems completed the acquisition of Primacy Corporation (‘Primacy’) in February 2017 bringing the total number of acquisitions in the T&FA market since December 2014 to five.

The above progress has led to overall revenue for 2017 increasing by 46% to £62.6 million (2016: £43.0 million), growth of 37% excluding the benefit of recent acquisitions. Group adjusted operating profit increased by 43% to £13.6 million (2016: £9.5 million). Group operating profit on a statutory basis was £11.1 million (2016: £8.2 million).

Having considered the Group’s progress and financial performance in 2017 the Board proposes the payment of a final dividend of 4.25 pence per share (2016: 3.5 pence), making a total of 6.25 pence per share for the year (2016: 5.0 pence), an increase of 25%. The proposed final dividend will be paid on 25 May 2018, subject to shareholder approval, to shareholders on the register at 4 May 2018.

The excellent financial performance in 2017 was made possible because of the outstanding contributions from the Group’s exceptionally talented employees. There is a strong focus throughout the Group on talent management at all levels of the business whether it be recruitment, remuneration (including a group-wide share option scheme in which over 60% of employees participate), training or career development and it is very pleasing to see the development of a strong culture within the Group as a result.

The Group has continued to invest in its people, technology, organisation and a number of growth opportunities throughout 2017. Both businesses have made significant investment in their technology during 2017, whether developing new applications or enhancing existing ones. To support the growth of the businesses, the Group has successfully implemented new ERP and human capital management systems as well as strengthening the senior leadership teams within both businesses. These and other investments provide the Board with confidence that the success of the Group will be sustained in future periods.

The Board is pleased with the Group's start to 2018 by both businesses. Aptitude Software is well positioned for continued progress in 2018 with a number of new business opportunities for its growing product and service offerings. Microgen Financial Systems is well positioned to realise future growth opportunities as they arise and with particularly high levels of recurring revenue the business has excellent future visibility.

Ivan Martin
Chairman

Aptitude Software Report

The Aptitude Software business provides a series of specialised financial management software applications which have the common capability of very rapidly processing very high volume complex, business event-driven transactions and calculations. Development continues to be performed principally at the Aptitude Technology Centre in Poland with sales, support and implementation services provided from Aptitude Software's London headquarters in addition to the North American and Singaporean offices. The business generates revenue from its software through a combination of licence fees (primarily annual recurring licences), software maintenance/support, software subscriptions for its cloud-based offerings and implementation services.

Highlights and Financial summary

Aptitude Software has benefitted from strong levels of new business in 2017 including multiple sales of the Aptitude Revenue Recognition Engine ('ARRE') and the Aptitude Accounting Hub ('AAH') together with the first sale of the new Aptitude Lease Accounting Engine ('ALAE') application to one of the world's largest technology businesses. Aptitude Software has started 2018 well with the strategically important first sale of the Aptitude Insurance Calculation Engine ('AICE') to an Asian insurance group. The sale is significantly ahead of the 2021 effective date of IFRS 17, the new accounting standard which AICE addresses, and there are a number of further global opportunities for AICE the success of which will be a key part of the continued development of the business in 2018 and following years. A further highlight has been the acquisition in August 2017 of RevStream Inc. ('RevStream'), a California-based provider of cloud-enabled revenue management software.

Overall revenue for the Aptitude Software business has grown by 68% to £44.3 million (2016: £26.4 million), growth of 58% excluding the benefit of the RevStream acquisition. Adjusted operating profit increased by 107% to £7.9 million (2016: £3.8 million) representing an adjusted operating margin of 18% (2016: 15%).

The Board continues to be focused on increasing Aptitude Software's recurring revenue base by promoting its annual licence fee model, however, with the acquisition of RevStream this base now includes subscription services income in respect of RevStream's cloud-based clients. Software revenues recognised in 2017 have increased 43% to £17.7 million (2016: £12.4 million), an increase of 35% excluding the benefit of the RevStream acquisition. At 31 December 2017 the recurring revenue base stands at £19.3 million (31 December 2016: £12.6 million), an increase of 53% during the year (the recurring revenue base includes recurring revenues contracted but yet to commence and excludes recurring revenues which are currently being received but are known to be terminating in the future). Excluding the benefit of the RevStream acquisition, the increase in the recurring revenue base in 2017 is 30%.

Implementation services revenue has increased by 91% to £26.6 million (2016: £14.0 million), an increase of 78% excluding the benefit of the RevStream acquisition. 2017 benefitted from the exceptionally strong demand for ARRE implementation services by the regulatory deadline driven IFRS 15 / ASC 606 projects. The exceptional growth in demand for our implementation services experienced in 2017 is expected to moderate during the course of 2018 due to the growing partner model as partners, an increasingly important channel for new business, provide a growing proportion of resources for new implementations.

Key Product Review

Aptitude Software has a growing suite of specialised financial management software applications which have the common capability of very rapidly processing very high volume complex, business event-driven transactions and calculations.

Aptitude Insurance Calculation Engine ('AICE')

In May 2017 IFRS 17, a new accounting standard focused on insurance contracts, was released effective for accounting periods commencing on or after 1 January 2021. This standard requires significant change by the insurance industry, a sector within which Aptitude Software already has a presence with a number of clients using Aptitude Software's products. Aptitude Software has developed AICE to address the requirements of IFRS 17. AICE leverages both Aptitude Software's existing technology and its experience of the insurance industry. Whilst the effective date of IFRS 17 is in 2021, the nature of the changes required by insurers is such that any projects will need to commence further ahead of the effective date than was experienced for IFRS 16 / ASC 842 and, to a lesser extent, IFRS 15 / ASC 606 projects. Aptitude Software is therefore satisfied to have completed the strategically important first sale of AICE to an Asian insurance group in February 2018. There are a number of further global opportunities for AICE the success of which will be a key part of the continued development of the business in 2018 and following years.

Aptitude Lease Accounting Engine ('ALAE')

In December 2017 Aptitude Software entered into the first contract for ALAE with a global technology firm. With a pipeline of opportunities further sales are expected in 2018 as organisations prepare to address the requirements of IFRS 16 / ASC 842, the new leasing accounting standards effective for accounting periods commencing on or after 1 January 2019. ALAE is applicable for large enterprises within a wider number of sectors than the markets targeted by ARRE or AAH. It is considered that organisations will be leaving their choice of technology provider to nearer the effective date for the new lease accounting requirements given that implementations of ALAE are expected to be of shorter duration than for Aptitude Software's other products.

Aptitude Revenue Recognition Engine ('ARRE')

Aptitude Software continued to make excellent progress in 2017 with ARRE which is focused on the telecoms industry. ARRE enables telcos to address the depth of change, risks and costs associated with the changing regulatory environment (namely, the IFRS 15 and ASC 606 revenue accounting standards effective for accounting periods commencing on or after 1 January 2018). With a number of new contracts entered into during the year the largest telcos have now selected their respective solutions to address the new accounting standards and as such new business demand in 2018 is not expected to be at the level experienced in 2016 and 2017. The large user base is expected, however, to provide opportunities for incremental recurring revenues in the medium term as the usage and requirements of ARRE increase.

Aptitude RevStream

RevStream's cloud-enabled revenue management software continues to see a number of new business opportunities due to the broader functionality of the software. The software provides clients with both business benefits in addition to regulatory compliance, and Aptitude RevStream's focus on the US market where privately owned companies have an additional year to comply with the ASC 606 accounting standard is favourable. Since the acquisition of the business in August 2017 a number of new business contracts were entered into with North American businesses.

Aptitude Accounting Hub ('AAH')

AAH has clients within banking, healthcare, insurance and telecommunications with a number of new customers contracted in 2017. AAH is a high volume operational accounting platform and sub-ledger that centralises control, improves reporting and generates a rich foundation of contract level finance and accounting data. Regulatory and industry change continues to be a driver of demand for AAH as complexity of contracts, products and services increases across a number of industries.

Research and Development

To ensure our existing specialised financial management software applications retain their market-leading positions and that new applications are successful investment continues to be increased in the Aptitude Technology Centre in Poland to ensure the needs of our customers are being met. Including RevStream developers in California, the number of research and development specialists at 31 December 2017 increased to

105 (31 December 2016: 91) with further recruitment underway. During the year a re-organisation was performed within the Aptitude Technology Centre with focused teams containing all development disciplines established for each application. This re-organisation facilitates greater dynamism in the development of the applications whilst providing a number of its employees with greater opportunities for advancement and new responsibilities within the Aptitude Technology Centre. Research and development expenditure in the year was £5.3 million (2016: £4.0 million) with all costs expensed as incurred with the increase in cost including £0.4 million related to foreign exchange and £0.5 million in respect of RevStream development costs incurred since acquisition.

Partner Network

Aptitude Software's partner network has continued to develop during 2017 and is significantly contributing to the growth of the business, especially in new geographical and vertical markets. Aptitude Software's partner network is comprised of a number of global accounting firms, system integrators and technology companies where the partners both influence new business sales processes and provide resources onto the projects augmenting Aptitude Software's implementation capability. Over 80% of 2017 new business contracts were partner influenced and during the course of 2017 over 250 partner consultants have been trained on one or more of Aptitude Software's products.

RevStream Acquisition

In August 2017 Aptitude Software acquired RevStream, a California-based provider of revenue management software, for consideration of £9.3 million including deferred equity consideration of £2.0 million. Following acquisition Aptitude Software settled £2.5 million of debt and other liabilities which were outstanding at completion.

RevStream's software allows Aptitude Software to offer broader revenue management capabilities complementing the specialised capabilities of the Aptitude Revenue Recognition Engine. Additionally, the expertise of RevStream in deploying its software in the cloud is being applied to those Aptitude Software applications where cloud deployment is appropriate, most notably the Aptitude Lease Accounting Engine where the ability to demonstrate our expertise to prospects is proving of value in on-going sales opportunities. In addition to the above benefits, Aptitude Software has acquired a business with a growing recurring revenue base (£2.9 million at acquisition) and for the four months under Aptitude Software's ownership RevStream has contributed £2.7 million to Aptitude Software's 2017 revenue on a break-even basis. RevStream is expected to be profitable in 2018 as its recurring revenue base grows.

Team

The continuing growth of the Aptitude Software business is only possible because of the outstanding contributions from its exceptionally talented employees across the globe and the business is benefitting from the development of a strong culture with excellent interaction between all teams. Investment continues to be made at all levels of the business whether it be recruitment, training or career development. A number of talented individuals have joined the business during the course of the year with a Chief Revenue Officer for Europe and Asia joining the senior leadership team at the start of 2018. The addition of the RevStream business in August 2017 brought into the Aptitude Software business over 30 talented individuals together with their technical skills of deploying cloud-enabled technology. The number of employees within the Aptitude Software business increased during 2017 by 39% to 271 (31 December 2016: 195), growth of 22% once the acquisition of RevStream is adjusted for.

Foreign Exchange

Aptitude Software is an increasingly international business with 57% of its revenues invoiced in US Dollars to North American clients (2016: 53%). The business has benefitted in 2017 from the strengthening of the US

Dollar vs. GBP compared to the 2016 exchange rates. Aptitude Software's 2017 revenue would have increased by 65% to £43.5 million on a constant currency basis (compared to actual result of £44.3 million). On a constant currency basis adjusted operating profit in 2017 would have increased by 97% to £7.5 million (compared to actual result of £7.9 million). The weakening of GBP vs. Polish Zloty accounted for £0.4 million of the increase in research and development costs in 2017 as Aptitude Software incurred the deferred effect, due to the twelve month rolling hedge, of 2016 exchange rate movement between the two currencies with the full effect of this movement impacting 2018.

Summary

In summary, the business continues to successfully execute its strategy of focussing and leveraging its existing expertise in high volume transaction sectors by providing specialised financial management software applications to meet new accounting standards, regulations and business areas poorly served by ERP systems. Aptitude Software made excellent progress in 2017 and has started 2018 well with the important first sale of the new AICE application to address the requirements of IFRS 17.

Tom Crawford
Chief Executive Officer, Aptitude Software

Microgen Financial Systems Report

The Microgen Financial Systems business is continuing to make strong progress in achieving its strategic objective to increase the proportion of its revenues from the Trust & Fund Administration ('T&FA') sector, both through organic growth and add-on acquisitions. Microgen Financial Systems' key product in this sector is Microgen 5Series which addresses the core operational and regulatory requirements of a number of organisations including Trust Administrators, Fiduciary Companies, Corporate Services Providers and Fund Administrators. In addition to Microgen Financial Systems' T&FA operations, revenue is generated from both a Payments software business and an Application Management business covering a range of Microgen-owned and third party systems principally focused on the financial services industry. Revenues are generated through a combination of software licence fees (primarily annual recurring licences), software maintenance/support fees and professional services.

Highlights and Financial Summary

Microgen Financial Systems' revenue for the year ended 31 December 2017 increased by 10% to £18.3 million (2016: £16.6 million). The recurring revenue proportion of its revenues remain particularly high at 76%.

The key highlight for the business has been the continued sales progress made within T&FA by Microgen 5Series with both new business contracts and upgrades, complemented by the acquisition in February 2017 of Primacy.

In addition to the above progress, at the end of 2017 the business has rationalised the number of offices brought into the group as a result of the recent acquisitions with the savings contributing to the funding of a number of investments in the business. These investments provide Microgen Financial Systems with the potential to accelerate the rate of organic growth previously experienced by the T&FA business and include a strengthening of the senior leadership and new business development teams.

Adjusted operating profit, reflecting the timing of the above investments and the integration programmes of recent acquisitions, is reported at £7.5 million (2016: £7.2 million) representing an adjusted operating margin of 41% (2016: 43%). The reduction in the adjusted operating margin is due to the change in mix between the growing T&FA business and the declining Application Management business with its higher margins reflecting the maturity of that business. Operating profit on a statutory profit basis is reported at £6.1 million (2016: £6.3 million).

Trust and Fund Administration

T&FA revenues grew by 27% to £11.3 million (2016: £8.9 million), an increase of 16% excluding the benefit of recent acquisitions. T&FA revenues now represent 62% (2016: 54%) of Microgen Financial Systems' revenue with an expectation that this will increase further as a proportion of overall revenue in 2018. T&FA recurring revenue in 2017 increased by 21% to £8.1 million (2016: £6.7 million), an increase of 8% excluding the benefit of recent acquisitions.

The T&FA recurring revenue base increased during the year by 28% to £8.8 million at 31 December 2017 (31 December 2016: £6.9 million), an increase of 16% excluding the benefit of the Primacy acquisition. Within the T&FA recurring revenue base of £8.8 million at 31 December 2017 is £4.5 million (2016: £3.4 million) relating to the Microgen 5Series product with the recurring revenue base on acquired and legacy T&FA products increasing as a result of the Primacy acquisition to £4.3 million (2016: £3.5 million). Upgrading a client using acquired or legacy T&FA products to Microgen 5Series provides the business with the opportunity to generate implementation fees and an uplift in the annual licence fees paid given the greater functionality and performance of Microgen 5Series. It is a key objective of the business in 2018 to accelerate the rate at which customers migrate onto Microgen 5Series.

Primacy was acquired in February 2017 for total cash consideration of £3.4 million. Primacy is a Toronto-based provider of software to the Trust & Fund Administration market whose integration into the Microgen Financial Systems business is progressing in line with expectations. Primacy generated £0.8 million revenue in 2017 whilst under Microgen's ownership.

Further acquisitions continue to be actively evaluated within T&FA, though fewer acquisition opportunities remain as a result of the acquisitions performed to date. The business is also appraising opportunities which offer the potential to leverage Microgen Financial Systems' existing technology into adjacent sectors.

Payments

The Payments business offers a range of Bacs software products which enable organisations to make automated payments in the United Kingdom using Bacs payment services over the internet (Bacstel-IP). As expected revenue from the Payments business has marginally reduced in 2017 to £1.45 million (2016: £1.49 million) with the prior year benefitting from a number of one-off implementations to the latest version of the software. The Payments business benefits from contracts with over 500 well-diversified clients and high levels of recurring revenue (2017: 90% (2016: 85%)).

Application Management

The Application Management business comprises a number of Microgen-owned and third party systems focused principally on financial services. Consistent with the maturity of the solutions provided by the Application Management business it is expected that revenues in the coming year will decline slightly ahead of the rate experienced in 2017, however, within the business there is a core of supported software solutions which are expected to continue in the medium to long term. The Application Management business reported revenue in line with management expectations at £5.6 million (2016: £6.2 million).

Summary

The business made good progress in 2017 highlighted by strong organic growth within the core T&FA market and the Primacy acquisition. Investment has been made in the organisation throughout 2017 to enable the business to realise future growth opportunities as they arise and with particularly high levels of recurring revenue the business has excellent future visibility.

Simon Baines
Chief Executive Officer, Microgen Financial Systems

Group Financial Performance and Chief Financial Officer's Report

Throughout this statement adjusted operating profit and margin excludes non-underlying operating items, unless stated to the contrary and constant currency growth is calculated by comparing 2016 results with 2017 results retranslated at the rates of exchange prevailing during 2016.

Revenue for the year ended 31 December 2017 was £62.6 million (2016: £43.0 million) resulting in an adjusted operating profit of £13.6 million (2016: £9.5 million) representing growth of 46% and 43% respectively. Organic revenue growth, excluding the benefit of recent acquisitions, was 37%. On a constant currency basis revenue for the year was £61.6 million (2016: £43.0 million) with adjusted operating profit of £13.0 million (2016: £9.5 million), growth rates of 43% and 37% respectively. Operating profit on a statutory basis was £11.1 million (2016: £8.2 million) after net non-underlying costs of £2.5 million (2016: £1.3 million). Group overhead costs were £1.8 million (2016: £1.5 million). The Group reported a profit for the year attributable to shareholders of £9.9 million (2016: £6.2 million). In accordance with IFRS, the Board has continued to conclude that all internal research and development costs are expensed as incurred and therefore the Group has no capitalisation of development expenditure. The overall group expenditure on research and development activities in 2017 was £8.6 million (2016: £7.2 million). The number of employees within the Group at 31 December 2017 was 396 (31 December 2016: 312).

Net non-underlying operating costs in 2017 were £2.5 million (2016: £1.3 million). This includes a £1.3 million (2016: £0.8 million) amortisation charge in respect of acquired intangible assets, £0.9 million of acquisition and related integration expenses for both RevStream and Primacy, £0.2 million in respect of fees for the Group's new loan and £0.1 million (2016: £0.4 million) regarding the shareholder-approved option grants in 2013.

The total tax charge for the year is £0.8 million (2016: £1.6 million). After adjusting for the effect of non-underlying and other items, the Group's tax charge represents 21.9% of the Group's adjusted profit before tax (2016: 21.8%) which is the tax rate used for calculating the adjusted earnings per share. The Group benefited from a non-underlying tax credit in 2017 of £1.4 million (2016: £0.2 million) of which £1.1 million is attributable to the reduction following the US tax reforms of the £3.6 million deferred tax liability established on the acquisition of RevStream. Adjusted earnings per share for the year ended 31 December 2017 was 17.1 pence (2016: 12.3 pence). Basic earnings per share for the year was 16.4 pence (2016: 10.6 pence).

The Group has a strong balance sheet with net assets at 31 December 2017 of £53.9 million (2016: £43.4 million), including cash at 31 December 2017 of £19.1 million (2016: £23.8 million), and net funds at 31 December 2017 of £9.1 million (2016: £13.6 million). During the year there were corporate cash outflows of £13.8 million (comprising £3.3 million of dividends and net consideration related to acquisitions of £10.5 million). The net loan balance outstanding was £9.8 million at 31 December 2017 (2016: £10.3 million). Trade and other receivables outstanding at 31 December 2017 have increased to £13.4 million (2016: £8.3 million). The increase in the Group's trade and other receivable is attributable principally to the growth in the Group's revenue, both organically and through the two acquisitions in the year. Cash collection from customers remains strong with the Group's debtor days at 31 December 2017 increasing marginally to 54 (2016: 52). The growth in the Group's revenues has also resulted in deferred income increasing by 28% to £26.3 million at 31 December 2017 (2016: £20.6 million).

Continuing to be a focus of the Group, cash conversion (measured by cash generated from operations as a percentage of operating profit adjusted for the non-underlying items with no cash effect) was 108% in the year (2016: 138%) with both businesses continuing to benefit from their growing recurring revenue bases with customers typically paying annually in advance.

Philip Wood

Chief Financial Officer

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

		Year Ended 31 Dec 2017			Year Ended 31 Dec 2016		
	Notes	**Before non-underlying items**	**Non-underlying items**	**Total**	Before non-underlying items	Non-underlying items	Total
		£000	**£000**	**£000**	£000	£000	£000
Revenue	1	**62,640**	**-**	**62,640**	42,988	-	42,988
Operating costs	1, 2	**(49,019)**	**(2,541)**	**(51,560)**	(33,463)	(1,313)	(34,776)
Operating profit		**13,621**	**(2,541)**	**11,080**	9,525	(1,313)	8,212
Finance income		**13**	**-**	**13**	66	-	66
Finance costs		**(316)**	**-**	**(316)**	(397)	-	(397)
Net finance costs		**(303)**	**-**	**(303)**	(331)	-	(331)
Profit before income tax		**13,318**	**(2,541)**	**10,777**	9,194	(1,313)	7,881
Income tax expense	3	**(2,288)**	**1,447**	**(841)**	(1,828)	190	(1,638)
Profit for the year		**11,030**	**(1,094)**	**9,936**	7,366	(1,123)	6,243
Earnings per share							
Basic	4			**16.4p**			10.6p
Diluted	4			**15.6p**			10.0p

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 Dec 2017 £000	Year ended 31 Dec 2016 £000
Profit for the year	**9,936**	6,243
Other comprehensive income		
Items that will or may be reclassified to profit or loss:		
Fair value gain on hedged financial instruments	**148**	133
Currency translation difference	**(40)**	95
Other comprehensive income for the year, net of tax	**108**	228
Total comprehensive income for the year	**10,044**	6,471

GROUP BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	As at 31 Dec 2017 £000	As at 31 Dec 2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,825**	1,330
Goodwill		**52,801**	41,774
Intangible assets		**16,124**	7,257
Deferred tax assets		**1,336**	738
		72,086	51,099
Current assets			
Trade and other receivables	6	**13,363**	8,337
Financial assets - derivative financial instruments		**218**	134
Current income tax assets		**733**	-
Cash and cash equivalents		**19,137**	23,849
		33,451	32,320
Total assets		**105,537**	83,419
LIABILITIES			
Current liabilities			
Financial liabilities			
- borrowings	8	**(2,040)**	(3,000)
- derivative financial instruments		**(37)**	(198)
Trade and other payables	7	**(36,952)**	(27,847)
Current income tax liabilities		**(381)**	(100)
Provisions	9	**-**	(24)
		(39,410)	(31,169)
Net current (liabilities)/ assets		**(5,959)**	1,151
Non-current liabilities			
Financial liabilities – borrowings	8	**(7,778)**	(7,250)
Provisions	9	**(404)**	(287)
Deferred tax liabilities		**(4,060)**	(1,316)
		(12,242)	(8,853)
NET ASSETS		**53,885**	43,397
SHAREHOLDERS' EQUITY			
Share capital	10	**3,939**	3,811
Share premium account		**6,449**	4,498
Capital redemption reserve		**12,372**	12,372
Other reserves		**34,279**	34,131
Accumulated losses		**(3,251)**	(11,552)
Foreign currency translation reserve		**97**	137
TOTAL EQUITY		**53,885**	43,397

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000	Share premium £000	Accumulated Losses £000	Foreign currency translation reserve £000	Capital redemption reserve £000	Other reserves £000	Total Equity £000
At 1 January 2017	3,811	4,498	(11,552)	137	12,372	34,131	43,397
Profit for the year	-	-	9,936	-	-	-	9,936
Cash flow hedges – net fair value gains in the year	-	-	-	-	-	148	148
Exchange rate adjustments	-	-	-	(40)	-	-	(40)
Total comprehensive income for the year	-	-	9,936	(40)	-	148	10,044
Shares issued under share option schemes	102	4	-	-	-	-	106
Share options – value of employee service	-	-	796	-	-	-	796
Deferred tax on financial instruments	-	-	39	-	-	-	39
Shares to be issued	26	1,947	-	-	-	-	1,973
Deferred tax on share options	-	-	383	-	-	-	383
Corporation tax on share options	-	-	492	-	-	-	492
Dividends to equity holders of the company	-	-	(3,345)	-	-	-	(3,345)
Total Contributions by and distributions to owners of the company recognised directly in equity income	128	1,951	(1,635)	-	-	-	444
At 31 December 2017	**3,939**	**6,449**	**(3,251)**	**97**	**12,372**	**34,279**	**53,885**

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Year ended 31 Dec 2017 £000	Year ended 31 Dec 2016 £000
Cash flows from operating activities			
Cash generated from operations	11	**13,551**	13,032
Interest paid		**(316)**	(397)
Income tax paid		**(2,525)**	(2,060)
Net cash flows generated from operating activities		**10,710**	10,575
Cash flows from investing activities			
Sale of property, plant and equipment		**-**	2,352
Purchase of property, plant and equipment		**(1,180)**	(894)
Acquisition of subsidiaries, net of cash acquired		**(10,460)**	(1,430)
Interest received		**13**	66
Net cash (used in)/ generated from investing activities		**(11,627)**	94
Cash flows from financing activities			
Net proceeds from issuance of ordinary share capital		**106**	29
Dividends paid to company's shareholders	5	**(3,345)**	(2,540)
Repayment of loan		**(12,250)**	(3,000)
Drawdown of loan		**11,818**	-
Net cash used in financing activities		**(3,671)**	(5,511)
Net (decrease)/ increase in cash and cash equivalents		**(4,588)**	5,158
Cash, cash equivalents and bank overdrafts at beginning of year		**23,849**	18,600
Exchange rate (losses)/ gains on cash and cash equivalents		**(124)**	91
Cash and cash equivalents at end of year		**19,137**	23,849

Notes to the Audited preliminary results for the year ended 31 December 2017

1. Segmental analysis

Business segments

The Board has determined the operating segments based on the reports it receives from management to make strategic decisions.

The segmental analysis is split into the Aptitude Software and the Microgen Financial Systems operating businesses.

The principal activity of the Group throughout 2016 and 2017 is the provision of business critical software and services.

The operating businesses are allocated central function costs in arriving at operating profit/ (loss). Group overhead costs are not allocated into the operating businesses as the Board believes that these relate to Group activities as opposed to the operating businesses.

1(a) Revenue and operating profit by operating business

Year ended 31 December 2017	Aptitude Software £000	Microgen Financial Systems £000	Group £000	Total £000
Revenue	44,340	18,300	-	**62,640**
Operating costs	(36,394)	(10,798)	-	**(47,192)**
Operating profit before Group overheads	7,946	7,502	-	**15,448**
Unallocated Group overheads			(1,827)	**(1,827)**
Operating profit before non-underlying items				**13,621**
Non-underlying items	(829)	(1,398)	(314)	**(2,541)**
Operating profit/(loss)	**7,117**	**6,104**	**(2,141)**	**11,080**
Net finance cost				**(303)**
Profit before tax				**10,777**
Income tax expense				**(841)**
Profit for the year				**9,936**

Year ended 31 December 2016	Aptitude Software £000	Microgen Financial Systems £000	Group £000	Total £000
Revenue	26,364	16,624	-	**42,988**
Operating costs	(22,522)	(9,405)	-	**(31,927)**
Operating profit before Group overheads	3,842	7,219	-	**11,061**
Unallocated Group overheads			(1,536)	**(1,536)**
Operating profit before non-underlying items				**9,525**
Non-underlying items	-	(914)	(399)	**(1,313)**
Operating profit/(loss)	**3,842**	**6,305**	**(1,935)**	**8,212**
Net finance cost				**(331)**
Profit before tax				**7,881**
Income tax expense				**(1,638)**
Profit for the year				**6,243**

1(b) Geographical analysis

The Group has two geographical segments for reporting purposes, the United Kingdom and the Rest of the World.

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 31 Dec 2017 £000	Year ended 31 Dec 2016 £000	**Year ended 31 Dec 2017 £000**	Year ended 31 Dec 2016 £000
United Kingdom	**32,091**	25,886	**10,860**	10,723
Rest of World	**30,549**	17,102	**51,780**	32,265
	62,640	42,988	**62,640**	42,988

2. Non-underlying items

	31 Dec 2017 £000	31 Dec 2016 £000
Acquisition and associated restructuring costs	**911**	102
Amortisation of intangibles	**1,316**	812
Share based payments on share options issued in 2013	**115**	399
Costs in relation to replacement credit facility	**199**	-
	2,541	1,313

3. Income tax expense

Analysis of charge in the year	**Year ended 31 Dec 2017 £000**	Year ended 31 Dec 2016 £000
Current tax:		
- tax charge on underlying items	**(2,707)**	(1,862)
- adjustment to tax in respect of prior periods	**(96)**	7
Total current tax	**(2,803)**	(1,855)
Deferred tax:		
- tax credit/ (charge) on underlying items	**112**	(3)
- tax credit on non-underlying items	**1,447**	190
- adjustment to tax in respect of prior periods	**403**	30
Total deferred tax	**1,962**	217
Income tax expense	**(841)**	(1,638)

The total tax charge of £841,000 (2016: £1,638,000) represents 7.80% (2016: 20.80%) of the Group profit before tax of £10,777,000 (2016: £7,881,000).

After adjusting for the impact of non-underlying items, change in tax rates, share based payment charge and prior year tax charges the tax charge for the year of £2,916,000 (2016: £2,004,000) represents 21.89% (2016: 21.80%), which is the tax rate used for calculating the adjusted earnings per share.

At the balance sheet date, the Group has unused tax losses of £3,366,000 (2016: £3,413,000) available for offset against future profits. A deferred tax asset has been recognised in respect of £756,000 (2016: £455,000) of such losses which is the maximum the Group anticipates being able to utilise in the year ending 31 December 2018. No deferred asset has been recognised in respect of the remaining £2,610,000 (2016: £2,958,000) due to the unpredictability of future profit streams.

The difference between the total tax charge and the amount calculated by applying the effective United Kingdom corporation tax rate of 19.25% (2016: 20.00%) to the profit on ordinary activities before tax is as follows:

	Year ended 31 Dec 2017 £000	Year ended 31 Dec 2016 £000
Profit on ordinary activities before tax	**10,777**	7,881
Tax at the UK corporation tax rate of 19.25% (2016: 20.00%)	**(2,074)**	(1,576)
Effects of:		
Adjustment to tax in respect of prior periods	**307**	37
Adjustment in respect of foreign tax rates	**(390)**	(155)
Expenses not deductible for tax purposes		
- Non-underlying costs not deductible	**-**	(4)
- Other	**(112)**	(87)
Recognition of tax losses	**321**	139
Change in future tax rates	**1,107**	8
Total taxation	**(841)**	(1,638)

Changes in future tax rates of £1,107,000 reflects the reduction in US tax rates which were substantially enacted by the balance sheet date where the federal tax rate was reduced from 35% to 21%, which after taking into account state taxes reduces the Group's US effective tax rate from 43% to 29% for 2018. Consequently, a revaluation of the deferred tax liability established on the acquisition of Aptitude RevStream Inc. was required.

4. Earnings per share

To provide an indication of the underlying operating performance per share, the adjusted profit after tax figure shown below excludes non-underlying items and has a tax charge using the effective rate of 21.89% (2016: 21.80%)

	Year ended 31 Dec 2017 £000	Year ended 31 Dec 2016 £000
Profit on ordinary activities before tax and non-underlying items	**13,318**	9,194
Tax charge at a rate of 21.89% (2016: 21.80%)	**(2,916)**	(2,004)
	10,402	7,190
Prior years' tax charge	**307**	37
Non-underlying items net of tax	**(1,094)**	(1,123)
Recognition of tax losses	**321**	139
Profit on ordinary activities after tax	**9,936**	6,243

	2017 Number (thousands)	2016 Number (thousands)
Weighted average number of shares	**60,612**	59,088
Effect of dilutive share options	**3,228**	3,428
	63,840	62,516

	2017 Basic EPS Pence	**2017 Diluted EPS pence**
Earnings per share	**16.4**	**15.6**
Non-underlying items net of tax	**1.8**	**1.7**
Prior years' tax credit	**(0.5)**	**(0.4)**
Tax losses recognised	**(0.6)**	**(0.6)**
Adjusted earnings per share	**17.1**	**16.3**

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

5. Dividends

	2017 pence per share	2016 pence per share	**2017 £000**	2016 £000
Dividends paid:				
Interim dividend	**2.0**	1.5	**1,217**	886
Final dividend (prior year)	**3.5**	2.8	**2,128**	1,654
	5.5	4.3	**3,345**	2,540
Proposed but not recognised as a liability:				
Final dividend (current year)	**4.25**	3.5	**2,587**	2,100

The proposed final dividend was approved by the Board on 6 March 2018 but was not included as a liability as at 31 December 2017, in accordance with IAS 10 'Events after the Balance Sheet date'. If approved by shareholders at the Annual General Meeting the proposed final dividend will be payable on 25 May 2018 to shareholders on the register at the close of business on 4 May 2018.

6. Trade and other receivables

	31 Dec 2017	31 Dec 2016
	£000	£000
Trade receivables	**10,496**	6,484
Less: provision for impairment of receivables	**(88)**	(4)
Trade receivables - net	**10,408**	6,480
Other receivables	**964**	468
Prepayments and accrued income	**1,991**	1,389
	13,363	8,337

7. Trade and other payables

	31 Dec 2017	31 Dec 2016
	£000	£000
Trade payables	**1,797**	1,367
Other tax and social security payable	**1,803**	1,323
Other payables	**113**	235
Accruals	**6,911**	4,305
Deferred income	**26,328**	20,617
	36,952	27,847

8. Financial liabilities

	31 Dec 2017	31 Dec 2016
	£000	£000
Bank Loan	**9,818**	10,250
The borrowings are repayable as follows:		
Within one year	**2,040**	3,000
In the second year	**2,040**	7,250
In the third to fifth years inclusive	**5,920**	-
	10,000	10,250
Unamortised prepaid facility arrangement fees	**(182)**	-
At 31 December	**9,818**	10,250

9. Provisions for other liabilities and charges

	Provisions	
	31 Dec 2017	31 Dec 2016
	£000	£000
At 1 January	**311**	275
Charged to income statement	**94**	46
Utilised	**(9)**	(20)
Foreign exchange movement	**8**	10
At 31 December	**404**	311

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

	Provisions	
	31 Dec 2017	31 Dec 2016
	£000	£000
Current	**-**	24
Non-current	**404**	287
	404	311

10. Share capital

Ordinary shares of 6 3/7p each	**Number**	**£000**
Issued and fully paid:		
At 1 January 2017	59,297,030	3,811
Issued under share option schemes	1,581,659	102
At 31 December 2017	**60,878,689**	**3,913**
Shares to be issued		
Deferred equity consideration on acquisition	398,518	26
Total Ordinary shares issued and to be issued at 31 December	**61,277,207**	**3,939**

11. Notes to the Group Cash Flow Statement

Reconciliation of profit before tax to net cash generated from operations:

	Year ended 31 Dec 2017 £000	Year ended 31 Dec 2016 £000
Profit before tax	**10,777**	7,881
Adjustments for:		
Depreciation	**707**	601
Amortisation	**1,316**	812
Share-based payment expense	**796**	610
Finance income	**(13)**	(66)
Finance costs	**316**	397
Changes in working capital excluding the effects of acquisition:		
Increase in receivables	**(3,461)**	(3,412)
Increase in payables	**3,020**	6,173
Increase in provisions	**93**	36
Cash generated from operations	**13,551**	13,032

12. Statement by the directors

The preliminary results for the year ended 31 December 2017 and the results for the year ended 31 December 2016 are prepared under International Financial Reporting Standards as adopted for use in the EU ("IFRS"). The accounting policies adopted in this preliminary announcement are consistent with the Annual Report for the year ended 31 December 2016.

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 31 December 2016. The financial information for the year ended 31 December 2016 is derived from the Annual Report delivered to the Registrar of Companies. The Annual Report for 2017 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

The Board of Microgen approved the release of this audited preliminary announcement on 6 March 2018.

The Annual Report for the year ended 31 December 2017 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). Further copies will be available on request and free of charge from the Company Secretary at Old Change House, 128 Queen Victoria Street, London, EC4V 4BJ.