Bioquell PLC

Interim Report & Account 2016

Contents

Financial highlights

- Bio-decontamination revenues (excluding defence sales) increased by 8% to £11.1 million (2015: £10.3 million)
- Overall revenues declined by 3% to £12.1 million (2015: £12.5 million)
- Non-UK revenues amounted to £9.0 million (2015: £10.0 million) – representing 74% of total revenues
- Gross margin increased to 46% (2015: 42%)
- EBITDA increased 14% to £1.6 million (2015: £1.4 million)
- Earnings per share were 0.8p (2015: 82.5p, 0.2p excluding the profit on disposal of TRaC)
- Following the completion of the June tender offer, £40.8 million of cash was returned to shareholders via a share buyback, leaving net cash of £7.3 million at 30 June, 2016 (2015: £47.7 million)

Operational Activities

- Strategic review concluded; management restructured and focus on further development and improvement of bio-decontamination business
- Strong focus on generating recurring revenues from service activities and consumables sales
- Launch of new fixed (wall-mounted) bio-decontamination system – the Bioquell 'Flat-screen'
- US salesforce restructured

<u>Ian Johnson, Chairman of Bioquell PLC, said:</u>

"Whilst overall revenues declined slightly as a result of lower defence sales compared with the first half of 2015, I am pleased to report that our bio-decontamination business grew by 8%. Profitability improved as a result of our cost reduction programme – and management continues to seek further improvements in the financial performance of the business through greater focus on the international Life Sciences market and driving up the proportion of recurring revenues.

The Board has now concluded the Strategic Review announced in 2015 and believes that Bioquell shareholders' interests would best be served by continuing to build a world class bio-decontamination business and focussing on further improving its financial performance. Accordingly the management of the business will be restructured. I have become Executive Chairman and the current Chief Executive, Nick Adams, has stepped down. In addition, Jay LeCoque has joined the board of Bioquell in the new role of Commercial Director.

On behalf of all Bioquell shareholders I would like to thank Nigel Keen for his seven years as Chairman.

I would also like to thank Nick Adams for his substantial contribution as Chief Executive. Under his leadership Bioquell has changed beyond all recognition from a low technology manufacturer of safety cabinets to a leader in specialist bio-decontamination.

The Board is confident that the improved financial performance seen in the first half of the year will carry through to the full year."

Chairman’s Statement

INTRODUCTION

I am delighted to be writing to shareholders for the first time as Chairman of Bioquell PLC.

Bioquell currently generates the majority of its revenues from customers in the Life Sciences and Healthcare sectors. A relatively small and historically unpredictable amount is derived from the Defence sector. By way of further information, for the six months ended 30 June, 2016, the split of revenues between these sectors was:

- **Life Sciences**: £8.7 million (2015: £8.2 million) – 72% of H1 revenues and a 6% increase over prior year Life Sciences H1 revenues;
- **Healthcare**: £2.4 million (2015: £2.1 million) – 20% of H1 revenues and a 14% increase over prior year; and
- **Defence**: £1.0 million (2015: £2.2 million) **–** 8% of H1 revenues and a 55% decrease over prior year.

It is becoming increasingly difficult to allocate revenues with absolute precision to either the Life Sciences or Healthcare sectors. For example, a large university-affiliated teaching hospital may use Bioquell equipment, services and/or consumables within its:

i. research laboratories;

ii. hospital pharmacy clean-rooms;

iii. intensive care or high dependency units; and

iv. pan-hospital decontamination team.

Moreover, we are seeing increasing demand for Bioquell technology within hospitals working with cell-based healthcare products – sometimes referred to as ‘cell therapy drugs’. Accordingly the demarcation of our business between Life Sciences and Healthcare is becoming increasingly blurred.

Given the trends summarised above, the Board will henceforth report the financial performance of the business by reference to the bio-decontamination business without providing a separate analysis of revenues between Life Sciences and Healthcare. We will instead provide shareholders with an analysis of the bio-decontamination business’ revenues split between equipment, service & consumable revenues. We will report the performance of the wholly-unrelated (in terms of customer base) and ‘lumpy’ defence business separately.

The Company’s strategy is focussed on increasing our revenues generated from customers in the bio-decontamination business and we would anticipate that, over the medium term, defence revenues will decline as a proportion of total revenues.

FINANCIAL RESULTS

In the six months ended 30 June 2016, total revenues decreased 3% to £12.1 million (2015: £12.5 million). However, bio-decontamination revenues increased by 8% to £11.1 million (2015: £ 10.3 million).

	2016 H1 £m	2015 H1 £m	Growth %	Constant currency growth %
Bio-decontamination	11.1	10.3	+8%	+4%
Defence	1.0	2.2	-55%	-55%
TOTAL	12.1	12.5	-3%	-6%

Service-related revenues - which all relate to the bio-decontamination business activities and include consumable revenues - increased 7% to £6.9 million (2015: £6.4 million), representing some 57% of revenues (2015: 51%). In general terms, we believe that it is reasonable to characterise Bioquell’s service & consumable revenues as representing recurring, or quasi-recurring, revenues. Equipment-related revenues excluding defence sales increased by 8% to £4.2 million (2015: £3.9 million).

Revenues from non-UK sales in the period amounted to £9.0 million (2015: £10.0 million), amounting to 74% of total revenues. The equivalent data for the bio-decontamination business shows that non-UK revenues were £8.0 million (2015: £7.8 million), representing approximately 72% of this business' revenues. Sterling has weakened significantly against the US dollar since the Brexit vote and we estimate that approximately 46% of bio-decontamination revenues were denominated in US dollars in the first half, with a further 26% denominated in Euros. Constant currency revenue growth in the bio-decontamination business in the first half was 4%.

Gross margin in the period was up 4% in the first half to 46% (2015: 42%). This meaningful increase in gross margin reflects a number of factors including: (i) the results of targeted cost-reduction programmes associated with our products; (ii) price increases for certain products; and (iii) a reallocation of certain costs from cost of sales to overheads.

Research & development costs

As is set out in the table below, the accounting charge for Research & Development ("R&D") costs in the period increased by 14% to £807k (2015: £706k). Cash R&D costs were £673k in the first half (2015: £727k), representing a 7% decrease.

R&D costs (£000)	**H1 2016**	**H1 2015**
Amount of R&D expensed in period	(308)	(238)
Amortisation of previously capitalised development costs	(499)	(468)
Total R&D charge under IFRS	**(807)**	**(706)**
Total R&D cash expenditure	**(673)**	**(727)**
Amount of development costs capitalised	(365)	(489)

In the short to medium term we anticipate that R&D costs will continue at the lower level of cash spend reflecting the completion of the current Bioquell product range; however, we are working on appropriate product line extensions to complement the existing product portfolio.

Overheads

Overheads increased marginally to £5.3 million (2015: £5.2 million). However, these overhead costs include the net cost of foreign exchange movements which, largely due to the significant decline in the value of Sterling post the Brexit vote, resulted in a charge in the period of £177,000 (2015: profit of £84,000).

The underlying cash-based overhead costs - adjusted to reflect the cash cost of R&D as well as removing the net FX cost - were £5.0 million in the period (2015: £5.3 million), representing a decline of 6%.

EBITDA (Earnings before interest, tax, depreciation and amortisation) increased by 14% in the period to £1.6 million (2015: £1.4 million). Operating profit was £0.3 million compared to a profit in H1 2015 of £0.2 million (and a loss of £1.6 million in H1 2014).

Pre-tax profit totalled £0.4 million in the first half (2015: £0.1 million).

Basic earnings per share were 0.8 pence (2015: 82.5 pence, 0.2 pence excluding the effect of the profit on disposal of TRaC).

Capital expenditure continues to run significantly below the depreciation charge, reflecting the Board's belief that the substantial investments needed to support the growth of the business in the short to medium term have been made over recent years.

In the first half, purchases of tangible fixed assets totalled £0.5 million (2015: £0.5 million). Depreciation in the period was £0.8 million (2015: £0.8 million).

Balance sheet

Following the return of £40.8 million of cash to shareholders as a result of the Tender Offer which was announced on 29 April, 2016, the Group has a strong balance sheet. At 30 June, 2016 net assets were £24.9 million (2015: £64.7 million). Net cash was £7.3 million (2015: £47.7 million).

BUSINESS ACTIVITIES

Bio-decontamination business with the majority of sales to Life Sciences customers

We continue to see a number of evolving drivers of growth for Bioquell's bio-decontamination business, including:

- an increasingly complex, onerous and rapidly expanding international regulatory environment relating to the safe production of biologically-sensitive therapeutic products;
- demand for cost effective, fast-to-deploy aseptic environments;
- improved methods and technology for the swift and aseptic transfer of heat-sensitive materials into clean-rooms;
- demand for effective after-sales service and support, in part driven by regulatory requirements;
- increasing pressure from customers on costs, including interest by customers in the use of technology to achieve cost reductions;
- growth in research activities and small-scale production associated with cell-based healthcare products; and
- demand for the mitigation of risks and liabilities associated with complex, and often biologically-sensitive, therapies historically prepared in hospital pharmacies.

Not all these trends or drivers of growth apply equally in all territories. For example, in the first half we saw continuing strong demand in Asia Pacific for the purchase of equipment – and significant demand for service-based contamination control solutions in Europe and the USA.

Bioquell is proactively positioning itself within the market to be more than just a provider of HPV decontamination technologies. For example:

- the Bioquell QUBE comprises a novel, modular aseptic work-station which incorporates HPV technology but is also manufactured using unique processes at our facilities in the UK. The QUBE is used to provide an aseptic environment for a range of applications including: sterility testing; the production of toxic, intravenous oncology drugs; and the production of small-scale cell-based healthcare products. Over time we expect the range of specialist applications for the QUBE to increase; and
- the Bioquell POD enables hospitals to convert multi-bed, open-plan units at high risk of the spread of hospital acquired infection into single-occupancy rooms. PODs can be decontaminated using Bioquell's HPV technology.

We are also proactively working to maximise the level of recurring revenues generated from service activities and/or consumable sales.

New product launch – the Bioquell FS-1 or 'Flatscreen'

On 7 June, 2016 we launched a new fixed, wall-mounted HPV decontamination system – the Bioquell 'Flatscreen' (formally the FS-1) – which incorporates the use of Bioquell's proprietary hydrogen peroxide consumable cartridges.

Prior to the launch of the Flat-screen, our HPV decontamination product range included our RBDS and BQ Local decontamination services; and the Z and L range of mobile decontamination units. However, our product range did not include a fixed HPV decontamination system. Over recent years a number of customers have requested fixed decontamination systems, with increasing demand for such systems linked, in part, to evolving regulatory requirements.

Given that space is typically at a premium in our customers' premises, the Flat-screen has been designed to occupy a minimal footprint. It is also fast to install and validate.

Initial signs of market demand for the Flat-screen are encouraging. Our first Flat-screen order comprised an order for 16 units, due for delivery in the second half of the year, for a substantial French Life Sciences company.

Changes to regulations

There are an increasing number of regulations affecting the markets into which we sell. Such regulations can cover the HPV decontamination equipment and/or the associated consumables. Typically we find more onerous regulation tends to help increase demand for Bioquell's high quality decontamination technology as our clients remain focussed on attaining - and retaining - regulatory compliance. It would be inappropriate and disproportionate to list all the regulations currently forcing changes in our markets; however, set out below are two examples of regulatory changes which we believe positively affected our market position in the first half of 2016.

- In Europe the new EU NF T 72-281 (2014) regulation, which was originally a French national standard, comes into force from February 2017. This European standard requires companies selling airborne disinfection systems to pass specific, demanding microbial inactivation tests, including the inactivation of hard-to-kill fungal spores. Low-concentration hydrogen peroxide nebulisers / aerosolisers struggle to pass these microbial tests and we anticipate that, as was the case in France, a number of nebuliser systems will be removed from the European market when the new 72-281 standard comes into force.
- In February 2016 the new ISO standard 18362 came into force. This ISO standard relates to the "*Manufacture of cell-based healthcare products – control of microbial risks during processing*". The standard specifically highlights the challenges associated with viral vectors used in the production of certain cell-based healthcare products as well as the advantages of using closed systems such as the QUBE over more common biological safety cabinets.

International activities

We experienced significant differences in trading performance by geographical region in the first half of the year. For example, our Asia Pacific business was strong and showed good growth over prior year. European activity levels were, in aggregate, steady. The US had a weak Q1 but an appreciably stronger Q2.

In the first half we undertook a major restructuring of our US business. We had been dissatisfied with the sales performance of our US business for some time and made a number of changes to the sales-force in the first half. We have, among other things, removed the generalist, externally-based salesforce and increased our investment in digital marketing, office-based sales people as well as the judicious use of experts. This approach has resulted in materially lower sales-related costs and early signs are encouraging regarding increased revenues. We are now in the process of expanding this model in the USA and are also considering how best it can be applied, as appropriate, elsewhere within the business.

Defence

As described above, we are continuing to support our customers in the defence sector; however, it remains extremely difficult to forecast future defence-related orders.

Chemical warfare agents such as Sarin continue to be a threat in conflicts in the Middle East. Accordingly there continues to be demand for Bioquell's expertise in specialist Chemical, Biological, Radiological and Nuclear ("CBRN") filtration equipment from a number of customers in this region. Notwithstanding the poor visibility of future orders, we remain alert to opportunities to increase our defence-related order book.

OUTLOOK AND PROSPECTS

The Board has now concluded the Strategic Review announced in 2015 and believes that Bioquell shareholders' interests would best be served by continuing to build a world class bio-decontamination business and focussing on further improving its financial performance. Accordingly the management of the business will be restructured. I have become Executive Chairman and the current Chief Executive, Nick Adams has stepped down. In addition, Jay LeCoque has been appointed to the board of Bioquell in the new role of Commercial Director. Jay was formerly CEO of Celsis International PLC and has extensive experience sales and marketing in the Life Sciences industry.

There are no further matters relating to the appointment of Jay LeCoque requiring disclosure under Listing Rule 9.6.13.

Furthermore, the TRaC business was developed from very modest beginnings into a world class testing business which was sold for £44m last year.

The financial performance of our bio-decontamination business is beginning to improve as can be seen in the financial information set out above. There are a number of different drivers of growth which are positively affecting our business, including the need for customers to achieve regulatory compliance and continuing growth in research and small scale production associated with cell-based healthcare products.

Historically we have tended to experience a stronger second half of the year and we see no reason for this to be different this year.

We remain extremely focussed on seeking to reduce the Company's cost base wherever possible – but without damaging our ability to grow revenues or react to new opportunities.

Overall the business is on track to meet the Board's expectations for the full year.

Prior to publication, the information contained within this announcement was deemed to constitute inside information under the Market Abuse Regulations (EU) No. 596/2104 ("MAR")

Ian Johnson
Chairman
Bioquell PLC

24 August, 2016

Consolidated income statement

Unaudited results for the six months ended 30 June 2016

Continuing operations		Notes	**6 months to 30 June 2016 £'000**	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
Revenue		1	**12,063**	12,525	26,877
Cost of sales			**(6,473)**	(7,215)	(15,466)
Gross profit			**5,590**	5,310	11,411
Gross profit margin			**46%**	42%	42%
Operating expenses:					
Sales and marketing costs			**(2,367)**	(2,784)	(5,485)
Administration costs			**(2,129)**	(1,713)	(3,648)
R&D and engineering costs			**(807)**	(706)	(1,507)
Profit from continuing operations before exceptional items			**287**	107	771
Costs associated with reorganisation			—	—	(220)
Profit from continuing operations			**287**	107	551
Investment revenues			**118**	—	150
Finance costs			**(27)**	(38)	(69)
Profit before tax			**378**	69	632
Tax (charge)/credit on profit on ordinary activities			**(47)**	(3)	5
Profit for the period from continuing operations			**331**	66	637
Discontinued operations					
Profit for the period from discontinued operations and disposal		2	—	35,068	34,501
Profit for the period					
Profit for the period attributable to equity holders of the parent			**331**	35,134	35,138
Earnings per share from continued operations excluding profit on disposal	– basic		**0.8p**	0.2p	1.5p
	– diluted		**0.8p**	0.2p	1.5p
Earnings per share attributable to the owners of the parent	- basic		**0.8p**	82.5p	82.5p
	- diluted		**0.8p**	81.6p	81.8p

Supplementary notes

1. The financial information for the six months ended 30 June 2016 and the comparative figures for the six months ended 30 June 2015 have not been reviewed or audited by the Group's auditors and have been prepared on the basis of the accounting policies adopted by the Group under IFRS. The same accounting policies and methods of computation are followed in the interim financial report as were published by the Company on 29 April 2016 in its annual financial statements, which are available on the Company's website at www.bioquellplc.com.

2. The comparative figures for the twelve months to 31 December 2015 have been prepared under IFRS. They do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The unqualified audited accounts for the twelve months ended 31 December 2015 have been filed with the Registrar of Companies and they did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

3. The tax charge shown on the income statement represents a combined corporation tax charge and deferred tax credit. The charge is based on the Group's anticipated effective tax rate for the full year of 12.5% (2015: 4.3%).

4. Earnings per share for the half year have been calculated on the profit on ordinary activities on continuing operations after taxation and the total earnings attributable to the owners of the parent divided by the weighted average number of ordinary shares in issue during the period. The Group's diluted earnings per share are calculated by including dilutive share options in the denominator.

5. There have been no related party transactions during the first six months of the financial year that have materially affected the financial position or performance of the Group during that period and there have been no changes in the related party transactions described in the last Annual Report that could do so.

6. Copies of this statement will be available to members of the public at the Company's registered office: 52 Royce Close, West Portway, Andover, Hampshire SP10 3TS and on the Group's website at www.bioquellplc.com.

Principal risks and uncertainties

The Board believes that the principal risks and uncertainties facing the Group have not changed materially from those described in the 2015 Annual Report, including the summary of risks and uncertainties set out on pages 9 to 11 therein. The Group provides complex equipment and specialist services to a large number of clients in the UK and internationally. Accordingly the Group is subject to a broad range of strategic, operational and financial risks and uncertainties, including the following principal risks:

- *Regulatory Risk*

The Group operates in a number of countries and sectors which are highly regulated. There is a risk that the relevant authorities or their interpretation could be changed and such change could significantly adversely affect the Group's business in that country or sector

- *Technological Risk*

The Group is dependent on its technology, and on its products and services, continuing to be efficacious, cost effective and attractive to the marketplace. There is the risk that new technologies, products or services are developed by competitors which perform better, are easier to use or are more cost effective than those of the Group

- *Uncertain adoption rate of new products or services*

The Group is constantly developing new products and services. There is inherent uncertainty as to how quickly new products or services will be adopted by the market.

Going concern

The Group has sufficient financial resources to cover budgeted future cash flows, together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The Directors confirm that they have a reasonable expectation that the Group has adequate financial resources to continue to trade for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Responsibility statement

We confirm that to the best of our knowledge: (i) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting; (ii) the financial statements give a true and fair view of the assets, liabilities, financial position and profit of the undertakings included in the consolidation as a whole as required by DTR 4.2.4R; (iii) the Interim Management Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and a description of principal risks and uncertainties for the remaining six months of the year); and (iv) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

IAN JOHNSON	**MICHAEL ROLLER**
Executive Chairman	***Group Finance Director***
24 August 2016	

Consolidated statement of comprehensive income

Unaudited results for the six months ended 30 June 2016

	6 months to 30 June 2016 £'000	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
Profit for the period	**331**	35,134	35,138
Exchange differences on translation of foreign operations *	**422**	(256)	(120)
Total recognised income for the period	**753**	34,878	35,018

* May be reclassified subsequently to profit or loss in accordance with IFRS

Consolidated statement of changes in equity

Unaudited results for the six months ended 30 June 2016

	Notes	**6 months to 30 June 2016 £'000**	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
Profit for the period		**331**	35,134	35,138
Exchange differences		**422**	(256)	(120)
Total comprehensive income in the period		**753**	34,878	35,018
Other movements in the period:				
Issued share capital		**68**	10	12
Issued share premium		**574**	93	118
Acquisition of own shares for cancellation	**6**	**(41,336)**	—	—
(Charge)/credit to equity reserve for share-based payments		**(23)**	84	119
Charge to equity on exercise of share options under the SARS scheme		**(20)**	(1)	-
Final dividend for year ended 31 December 2014		—	(1,406)	(1,406)
Net (decrease)/increase in equity shareholders' funds		**(39,984)**	33,658	33,861
Equity shareholders' funds at beginning of period		**64,918**	31,057	31,057
Equity shareholders' funds at end of period		**24,934**	64,715	64,918

Consolidated balance sheet

Unaudited results at 30 June 2016

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
Non-current assets			
Other intangible assets	**8,645**	8,928	8,785
Property, plant and equipment	**5,023**	5,759	5,349
Deferred tax assets	**175**	175	175
	13,843	14,862	14,309
Current assets			
Inventories	**3,765**	3,830	3,547
Trade and other receivables	**5,772**	5,734	5,429
Derivative financial instruments	—	112	—
Cash and cash equivalents	**7,324**	48,506	47,573
	16,861	58,182	56,549
Total assets	**30,704**	73,044	70,858
Current liabilities			
Trade and other payables	**(3,961)**	(5,387)	(4,282)
Derivative financial instruments	**(182)**	—	(68)
Borrowings	—	(105)	—
Current tax liabilities	**(226)**	(42)	(152)
Provisions	**(74)**	(100)	(84)
Net current assets	**12,418**	52,548	51,963
Non-current liabilities			
Deferred tax liabilities	**(1,327)**	(1,989)	(1,354)
Other non-current liabilities	—	(706)	—
Total liabilities	**(5,770)**	(8,329)	(5,940)
Net assets	**24,934**	64,715	64,918
Equity			
Share capital	**2,294**	4,264	4,266
Share premium account	**1,493**	894	919
Equity reserve	**1,767**	2,050	2,079
Capital reserve	**255**	255	255
Translation reserve	**185**	(373)	(237)
Retained earnings	**18,940**	57,625	57,636
Equity attributable to equity holders of the parent	**24,934**	64,715	64,918

Consolidated cash flow statement

Unaudited results for the six months ended 30 June 2016

	Notes	**6 months to 30 June 2016 £'000**	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
Net cash from operating activities		**1,270**	4,494	5.326
Investing activities				
Proceeds on disposal of TRaC Global Ltd net of cash transferred & costs of disposal		—	42,535	43.423
Purchases of property, plant and equipment		**(495)**	(819)	(1,030)
Purchases of intangible assets		**(30)**	(22)	(125)
Expenditure on product development		**(364)**	(490)	(733)
Net cash (used)/generated from investing activities		**(889)**	41,204	41,535
Financing activities				
Proceeds on issue of ordinary shares		**642**	103	130
Acquisition of own shares for cancellation	6	**(41,336)**	—	—
Dividends paid on ordinary shares	3	—	—	(1,406)
Repayment of borrowings		—	(116)	(863)
Net cash (used)/generated from financing activities		**(40,694)**	(13)	(2,139)
(Decrease)/increase in cash and cash equivalents		**(40,313)**	45,685	44,722
Cash and cash equivalents at beginning of period		**47,573**	2,840	2,840
Effect of foreign exchange rate changes		**64**	(19)	11
Cash and cash equivalents at end of period		**7,324**	48,506	47,573

Note to the cash flow statement

Unaudited results for the six months ended 30 June 2016

	6 months to 30 June 2016 £'000	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
Profit for the period	**331**	35,134	35,138
Adjustments for:			
Profit on disposal of discontinued operations	—	(34,243)	(34,741)
Tax charge/(credit) on continuing operations	**47**	216	240
Investment revenues	**(118)**	(25)	(150)
Finance costs	**27**	63	69
Depreciation of property, plant and equipment	**821**	1,196	1,645
Amortisation of intangible assets	**534**	508	971
Impairment of goodwill	—	169	—
Share-based payments (credit)/charge	**(23)**	84	119
Loss on disposal of fixed assets	—	—	105
(Decrease)/increase in provisions	**(10)**	12	(4)
Operating cash flows before movements in working capital	**1,609**	3,114	3,392
Increase in inventories	**(218)**	(603)	(295)
(Increase)/decrease in receivables	**(343)**	1,900	2,324
Increase/(decrease) in payables	**131**	121	(176)
Cash generated by operations	**1,179**	4,532	5,245
Investment revenues	**118**	25	150
Interest paid	**(27)**	(63)	(69)
Net cash from operating activities	**1,270**	4,494	5,326

Notes to the interim results

1. Geographical analysis

Revenue and profit before taxation in respect of continuing operations arise from the principal activity of the Group. Following the disposal of TRaC Global Ltd on 7 May 2015 this represents a single class of business, being the provision of bio-decontamination control technologies to the international healthcare, life sciences and defence markets.

The Group's bio-decontamination equipment is manufactured within the UK and sold into the UK, Europe and Rest of World markets.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origination of the goods or services.

	6 months to 30 June 2016 £'000	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
UK	**3,054**	2,693	5,501
EU	**3,172**	3,274	7,375
US	**2,643**	2,990	6,320
ROW	**3,194**	3,568	7,681
Total	**12,063**	12,525	26,877

2. Discontinued operations

On 12 March 2015 the Group entered into a sale agreement to dispose of TRaC Global Limited, which carried out all of the Group's Testing, Regulatory and Compliance work. The disposal was made to simplify the Group and allow focus on the core decontamination business and to release value for shareholders. The sale was completed on 7 May 2015, on which date control of TRaC Global Limited passed to the acquirer.

The results of the discontinued operations which have been included in the consolidated income statement, were as follows:

	Period to 7 May 2015 £'000	12 months to 31 December 2015 £'000
Revenue	6,175	6,175
Expenses	(5,137)	(5,040)
Profit before tax	1,038	1,135
Attributable tax expense	(213)	(240)
Gain on disposal	34,243	33,606
Profit attributable to discontinued operations	35,068	34,501

During the period ended 7 May 2015, TRaC Global Ltd contributed £0.6m to the Group's net operating cash flows, paid £0.3m in respect of investing activities and paid £2.0m in respect of financing activities.

A profit of £33.6m arose on the disposal of TRaC Global Ltd, being the net proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill.

3. Dividends

	6 months to 30 June 2016 £'000	6 months to 30 June 2015 £'000	12 months to 31 December 2015 £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2014 of 3.30 pence per ordinary share	—	1,406	1,406

4. Financial Instruments

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 70 to 80% of the exposure generated. The Group also enters into forward foreign contracts to manage the risk associated with anticipated sales and purchase transactions out to six months within 40 to 50% of the exposure generated. Forward exchange contracts are carried at fair value through profit and loss.

At the balance sheet date the total notional amount of outstanding forward foreign exchange contracts to which the Group has committed are as below:

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
Forward foreign exchange contracts	**3,377**	2,660	3,478

At 30 June 2016, the fair value of the Group's forward foreign exchange contracts is estimated to be approximately £(182,000) (2015: £112,000). The fair value has been calculated as the present value of future expected cash flows at market related rates, which are current at the balance sheet date. The value is calculated using readily available market data and represents a level 2 measurement in the fair value hierarchy under IFRS 7.

Other financial assets

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
Financial assets carried at fair value through profit and loss	**(182)**	112	(68)

5. Analysis of net cash

	30 June 2016 £'000	30 June 2015 £'000	31 December 2015 £'000
Cash	**7,324**	48,506	47,573
Mortgage & loans – due within one year	—	(105)	—
– due after one year	—	(706)	—
Net cash	**7,324**	47,695	47,573

6. Acquisition of own shares for cancellation

During the year 20,405,814 ordinary shares of 10p each were repurchased under the tender offer to purchase own shares announced on 2 June 2016 and repurchased shares have been cancelled. The total consideration for the purchase of the shares was £41,396,375 which includes stamp duty of £204,060 and professional fees of £232,563.

Of this amount £2.04m was treated as a reduction of share capital, £0.06m as a charge to the income statement and the remaining charge of £39.3m included in retained earnings.

BIOQUELL GROUP DIRECTORY

BIOQUELL UK

52 Royce Close
West Portway
Andover SP10 3TS
UK
T:+44 (0)1264 835835
F:+44 (0)1264 835836

BIOQUELL France

153 Quai du Rancy
94380 Bonneuil sur Marne
Paris
France
T:+33 1 4378 1594
F:+33 1 4378 1584

BIOQUELL Asia Pacific

207 Henderson Road #01–05
Henderson Industrial Park
159550
Singapore
T:+65 6592 5145
F:+65 6227 5878

BIOQUELL Inc

702 Electronic Drive
Suite 200
Horsham PA 19044
USA
T:+1 215 682 0225
F:+1 215 682 0395

BIOQUELL Ireland

Unit E4
Eastway Business Park
Ballysimon Road
Limerick
Republic of Ireland
T: +353 61 603622
F:+353 61 603627

BIOQUELL China
Room 416
Kingson Building
No. 1 Chuangsheng Road, Xili
Nanshan District, Shenzhen
T:+86 755 8631 0348
F:+86 755 8631 0211